FACT SHEET

ELAINE M. HOWLE
State Auditor

Date: **September 12, 2006** **Report:** **2005-118**

The California State Auditor released the following report today:

Emergency Preparedness

California's Administration of Federal Grants for Homeland Security and Bioterrorism Preparedness Is Hampered by Inefficiencies and Ambiguity

KEY FINDINGS

Our review of the State's administration of 10 federal grants for homeland security and bioterrorism preparedness revealed several concerns. Specifically:

Although the State has conducted exercises simulating various threats over the last few years, California's two major annual exercises—Golden Guardian and the Statewide Medical and Health Disaster exercises—have not exerted sufficient stress on medical and health systems to determine how well they can respond to emergencies.

The State has been slow in spending federal funds awarded to it since 2001 for homeland security. As of June 30, 2006, the Governor's Office of Emergency Services (Emergency Services) and the Governor's Office of Homeland Security (State Homeland Security) had spent only $404 million (42 percent) of the $954 million awarded to the State for homeland security.

Although Emergency Services has established a timetable for receiving and reviewing local emergency plans, the State has not kept up with its schedule and has failed to receive and review the plans of 35 of California's 58 counties, including several of the State's most populous counties. Additionally, Emergency Services is unaware of how recently it reviewed emergency plans for 15 of the 19 state agencies it considers critical to emergency response. Also, the California Department of Health Services (Health Services) has not finalized its plans for conducting on-site monitoring of cost reports prepared by subrecipients of federal funds.

The State's organizational structure for ensuring emergency preparedness is not streamlined or well defined. Continuing ambiguity surrounds the relationships between Emergency Services and State Homeland Security and among the numerous committees that advise the State in its administration of federal grants for homeland security and bioterrorism preparedness.

BACKGROUND

All disasters are, first and foremost, local disasters. When an event occurs it is in a city or county, and the local entity's fire department, law enforcement, and health care providers, in addition to others, are most likely the first to respond to the event's impacts. As such, entities at all levels of government are involved in emergency preparedness, which is defined by the federal government as the ability to plan, organize, equip, train, and exercise homeland security personnel to perform their assigned missions. The State of California Emergency Plan describes Emergency Services as the lead state agency for all phases of emergency management—preparedness, response, recovery, and mitigation. State Homeland Security serves as the lead state contact with the U.S. Department of Homeland Security as well as the governor on matters relating to terrorism and state security and maintains the California Homeland Security Strategy. Health Services coordinates the State's overall public health preparedness and response efforts and maintains California's public health emergency plans, including the Public Health Emergency Response Plan and Procedures and other subject-specific supporting plans.

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California State Auditor

BUREAU OF STATE AUDITS

Emergency Preparedness:

California's Administration of Federal Grants for Homeland Security and Bioterrorism Preparedness Is Hampered by Inefficiencies and Ambiguity

September 2006
2005-118

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September 12, 2006 2005-118

The Governor of California
President pro Tempore of the Senate
Speaker of the Assembly
State Capitol
Sacramento, California 95814

Dear Governor and Legislative Leaders:

As requested by the Joint Legislative Audit Committee, the Bureau of State Audits presents its audit report concerning California's administration of federal grants for homeland security and bioterrorism preparedness.

This report concludes that several concerns exist regarding the State's administration of these two types of federal grants. For instance, we question whether California's two statewide emergency exercises have sufficiently tested the ability of the State's medical and health systems to respond during emergencies. Therefore, California cannot be assured that these systems can respond adequately. Also, California has been slow in spending federal funds awarded to improve homeland security. As of June 30, 2006, the State had spent only 42 percent of the $954 million in homeland security funds awarded to it from 2001 through 2005.

Another concern is that the Governor's Office of Emergency Services (Emergency Services) is behind schedule in its receipt and review of the emergency plans for 35 of California's 58 counties. Also, Emergency Services is unaware of how recently it reviewed emergency plans for 15 of the 19 state agencies it considers critical to emergency response. Therefore, California has less assurance that these plans will effectively guide these entities in their emergency responses. Further, as of August 2006, the California Department of Health Services was continuing with its planning efforts for conducting on-site audits of subrecipient cost reports; state law requires these reviews to begin in January 2007.

Finally, we believe that the State's organizational structure for ensuring emergency preparedness is not streamlined or well defined. Continuing ambiguity surrounds the relationships between Emergency Services and the Governor's Office of Homeland Security and among the numerous committees that advise the State in its administration of federal grants for homeland security and bioterrorism preparedness. If this situation continues, this labyrinthine structure could adversely affect emergency response and reduce the State's efficiency and effectiveness in investing the federal grant funds.

Respectfully submitted,

Elaine M. Howle

ELAINE M. HOWLE
State Auditor

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SUMMARY

Audit Highlights . . .

Our review of California's administration of federal grants for homeland security and bioterrorism preparedness revealed that:

- ☑ *The State's two annual statewide exercises have not sufficiently tested the medical and health response systems.*
- ☑ *The Governor's Office of Emergency Services (Emergency Services) and the Governor's Office of Homeland Security have been slow in spending federal grant awards for homeland security.*
- ☑ *Emergency Services is behind schedule in its receipt and review of county and state agency emergency operations plans.*
- ☑ *The California Department of Health Services has not finalized its plans to conduct on-site reviews of subrecipients.*
- ☑ *The State's organizational structure for ensuring emergency preparedness is neither streamlined nor well defined.*

RESULTS IN BRIEF

Our review of the State's administration of 10 federal grants for homeland security and bioterrorism preparedness revealed several concerns. First, we question whether California's two major statewide, full-scale exercises have sufficiently tested the ability of the State's medical and health systems to respond to emergencies. Without adequate testing California cannot be certain that its medical and health systems can respond to all emergencies. Second, California has been slow in spending federal funds awarded to improve homeland security in the State. As of June 30, 2006, the State had spent only 42 percent of the $954 million in homeland security funds awarded to it from 2001 through 2005. Impediments to quicker spending include the length of time to award allocations to local entities. In one instance nearly 10.5 months passed between the start of the award period and the awarding of the allocations by the Governor's Office of Homeland Security (State Homeland Security). Further, reasons offered by local jurisdictions to explain the slow spending include the State's slow process for reimbursing local jurisdictions for their homeland security expenses and the short time allowed for developing budgets coupled with a time-consuming budget revision process.

Another concern regarding the administration of funds for emergency preparedness is that the Governor's Office of Emergency Services (Emergency Services) is behind schedule in its receipt and review of the emergency operations plans for 35 of California's 58 counties and those of 17 of 19 state entities that are key responders during emergencies. Therefore, California has less assurance that these plans will effectively guide the entities in their responses to emergencies.

We also assessed efforts by the State to monitor subrecipients' use of homeland security and bioterrorism preparedness funds. Generally, the State performs the four types of monitoring suggested by federal guidance. However, only State Homeland Security examines subrecipients' use of federal grant funds during on-site reviews. Legislation enacted in 2005 requires the California Department of Health Services (Health Services) to begin reviewing subrecipients' cost reports by January 2007.

Planning documents indicate that Health Services intends to perform these reviews on site. Health Services was continuing with its planning efforts as of August 2006.

Moreover, we believe that the State's organizational structure for ensuring emergency preparedness is not streamlined or well defined. Continuing ambiguity surrounds the relationships between Emergency Services and State Homeland Security and among the numerous committees that provide advice or guidance to the three state entities that administer federal grants for homeland security and bioterrorism preparedness. If it remains unchanged, this labyrinthine structure could adversely affect emergency response and reduce the State's efficiency and effectiveness in investing federal grant funds.

In reviewing two other areas related to California's administration of federal grants for homeland security and bioterrorism preparedness—spending priorities and calculating allocation amounts—we found no significant issues. Different entities at the federal, state, and local levels of government have different responsibilities for establishing priorities for spending federal grants issued by the U.S. Department of Homeland Security and the U.S. Department of Health and Human Services. Regarding the calculation of the funding amounts to allocate to local entities, population typically is a major factor. Most often the calculation begins with a base amount to which the State adds an amount derived from the local entity's population.

RECOMMENDATIONS

To better prepare the State for responding to terrorism events and other emergencies, state entities, including State Homeland Security and Emergency Services, should ensure that future exercises sufficiently test the response capabilities of California's medical and health systems.

To identify steps that could be taken to help increase the pace of spending for federal homeland security grants, State Homeland Security should create a forum for local administrators to share both best practices and concerns with state administrators.

To reduce the amount of time necessary to reimburse local entities for their homeland security expenditures, State Homeland Security and Emergency Services should collaborate to identify steps they can take.

To ensure that the emergency plans of key state entities and local governments are as up-to-date as possible, integrated into the State's response system, and periodically reviewed, Emergency Services should develop and implement a system to track its receipt and review of these plans.

To ensure that it can implement in January 2007 the provisions of Chapter 80, Statutes of 2005, related to auditing cost reports from subrecipients of federal bioterrorism preparedness funds, Health Services should complete its planning efforts.

To simplify and clarify California's structure for emergency response preparation, the following steps should be taken:

- The governor and the Legislature should consider streamlining the preparedness structure. For instance, they should consider establishing one state entity to be responsible for emergency preparedness, including preparedness for emergencies caused by terrorist acts.

- The Legislature should consider statutorily defining the preparedness structure in law.

- The Legislature should consider statutorily establishing State Homeland Security in law as either a stand-alone entity or a division within Emergency Services. Further, if it creates State Homeland Security as a stand-alone entity, the Legislature should consider statutorily defining the relationship between State Homeland Security and Emergency Services.

AGENCY COMMENTS

We asked Health Services, Emergency Services, and State Homeland Security to comment on our draft report. Health Services states that it agrees with the recommendation we directed at it and that it is on track with its planning efforts to implement audits of subrecipient cost reports in January 2007. For one of the three recommendations we directed at it, Emergency Services states that it has initiated the development of a system to better track the receipt and review of state and local emergency plans. Emergency Services did not describe the actions it would take to address the other two recommendations. Although State Homeland Security agrees with one of the three recommendations we directed at it and agrees in concept with a second, it does not address what actions it will take in the future in response to any of the recommendations. ■

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INTRODUCTION

BACKGROUND

Emergency preparedness is critically important to ensuring that California can respond effectively and efficiently to all types of emergencies. Proper preparedness can save lives, protect property, and reduce the costs associated with an emergency response. Establishing an effective level of preparedness is an ongoing process: an entity can never be totally prepared but can only reach the level of readiness that its resources and planning allow. A terrorist act is one of several types of events that can trigger an emergency response.

All disasters are, first and foremost, local disasters. When an event occurs it is in a city or county, and the local entity's fire department, law enforcement agency, and health care providers, in addition to others, are most likely the first to respond to the event's impacts. Collectively, these entities are called first responders.

State law identifies three levels of emergency:

- **Local emergency**—the duly proclaimed existence of disaster conditions or of extreme peril to the safety of persons and property within the territorial limits of a city or county, which are, or are likely to be, beyond the control of the services, personnel, equipment, and facilities of that city or county.

- **State of emergency**—the duly proclaimed existence of disaster conditions or of extreme peril to the safety of persons and property within the State, which, by reason of their magnitude, are or are likely to be beyond the control of the services, personnel, equipment, and facilities of any single city, county, or city and county and require the combined forces of a mutual aid region or regions.

- **State of war emergency**—the condition that exists immediately when the State or the nation is attacked by an enemy of the United States or on receipt by the State of a warning from the federal government indicating that such an enemy attack is probable or imminent.

THE FEDERAL GOVERNMENT HAS RAISED CONCERNS ABOUT ADMINISTRATION OF PREPAREDNESS GRANTS

According to a February 2005 report from the U.S. Government Accountability Office (GAO), after the terrorist attacks of September 11, 2001, federal, state, and local governments acknowledged that additional resources and intergovernmental coordination were needed to ensure that state and local first responders would be better prepared to respond to future domestic terrorist threats or attacks. Beginning in 2002 the federal government allocated extra funds to states to improve preparedness. In an April 2005 report the GAO stated that the domestic preparedness grants awarded by the U.S. Department of Homeland Security (Federal Homeland Security) increased from $436 million for federal fiscal year 2002 to $3.3 billion for federal fiscal year 2005.

Increases in federal funding have not always led to swift improvements in preparedness, however. Reports issued by entities such as the GAO and Federal Homeland Security's Office of the Inspector General (inspector general) have pointed out that grant recipients—states, local entities, and first-responder organizations—have had trouble spending their awards promptly. According to a March 2004 report from the inspector general, of the 56 states and territories that received homeland security grant awards for federal fiscal years 2002 and 2003, only 36 percent and 11 percent, respectively, had drawn down federal funds as of February 2004. A sample of 10 states—including California, Texas, and New York—that had been awarded a total of $124 million in homeland security grant funds for federal fiscal year 2002 had drawn down a total of only $22 million, or 18 percent, 12 months after the funds had been awarded. Further, of the $124 million awarded to these 10 states, Federal Homeland Security still had not allocated $41 million because the states had not completed grant application requirements.

Similarly, the GAO reported in February 2005 that the ability of states and local recipients to spend preparedness grant funds was complicated by state and local legal and procurement requirements and approval processes. In addition, the inspector general indicated in a March 2004 report that the causes of this condition included too many grant programs for first-responder preparedness that had to be processed in too short a time; inadequate state and local staffing; a lack of clear federal guidance for equipment, training, exercises, and preparedness levels; overly complex and time-consuming state and local planning processes; and lengthy state and local procurement processes.

More recently, Federal Homeland Security concluded in June 2006 that states' efforts to plan for catastrophes are "unsystematic and uneven." The report also concluded that most of the nation's current emergency operations plans and planning processes cannot be characterized as fully adequate, feasible, or acceptable to manage catastrophic events. In June 2006 the inspector general reported that shortcomings in a federal database could lead to the inefficient use of homeland security resources and questioned whether Federal Homeland Security was directing resources to the nation's most critical infrastructures and key resources. The inspector general's report also stated that Federal Homeland Security factored information from this database into its funding decisions for two federal grants.

Federal Homeland Security and Bioterrorism Preparedness Grants Included in Our Review

Homeland Security

- State Homeland Security Program*†
- Urban Areas Security Initiative†
- Law Enforcement Terrorism Prevention Program*†
- Emergency Management Performance Grants†
- Metropolitan Medical Response System†
- Citizen Corps*†
- Rail and Transit Security Grant Program
- Buffer Zone Protection Plan

Bioterrorism Preparedness

- Cooperative Agreement for Public Health Preparedness and Response for Bioterrorism
- Cooperative Agreement for the National Bioterrorism Hospital Preparedness Program

* For the 2004 award the federal government consolidated these three grants into a single grant, the Homeland Security Grant Program.

† For the 2005 award the federal government consolidated these six grants into a single grant, the Homeland Security Grant Program.

CALIFORNIA RECEIVES FUNDS FROM VARIOUS FEDERAL SOURCES FOR HOMELAND SECURITY AND BIOTERRORISM PREPAREDNESS

Federal Homeland Security and the U.S. Department of Health and Human Services provide states with funds from grants and other types of federal financial assistance to improve terrorism preparedness. Of the 94 federal grants and other types of federal financial assistance we identified, we examined in detail the 10 largest grants or cooperative agreements (see the text box).[1] For ease of discussion we use the term *grant* when referring to each of the 10 sources of funding. From 2001 through 2005 the federal government awarded California more than $1.3 billion under the 10 grants. Appendix A contains a list of these grants and a detailed description of the objective of each grant.

Although the federal government identifies either the Governor's Office of Homeland Security (State Homeland Security) or the California Department of Health Services (Health Services) as the recipient of the grants,[2] these two state agencies generally pass much of

[1] A federal cooperative agreement is a mechanism used to provide financial support when substantial interaction is expected between a federal agency and a state, local government, or other recipient carrying out the funded activity.

[2] Before State Homeland Security was established, the federal government identified the Governor's Office of Emergency Services as the recipient of federal grants for homeland security.

Local Entities Receiving Grant Funds

- Operational areas*
- Local health departments
- Nonprofit organizations
- Local emergency medical services agencies
- Cities
- Nonprofit organizations
- Regional transit security working groups

* California had 58 operational areas. An operational area consists of a county and all the political subdivisions, such as cities and special districts, within it.

the funding on to other entities, including local entities and other state entities. The text box shows the types of local entities that receive grant funds.

ENTITIES AT ALL LEVELS OF GOVERNMENT ARE INVOLVED IN EMERGENCY PREPAREDNESS

Responsibility for preparing for emergencies, including those caused by terrorism, rests with all levels of government. In California, although approximately 40 state entities may be involved when the State responds to emergencies, three are very heavily involved in preparedness.

The Governor's Office of Emergency Services (Emergency Services) is the lead agency for emergency management in California. It coordinates the State's response to major emergencies in support of local entities, which generally have primary responsibility for responding to emergencies. When emergencies occur Emergency Services may activate its state operations center, along with any of its three regional emergency operations centers, to process local requests for assistance or additional resources. To coordinate all phases of emergency management, Emergency Services prepared the State of California Emergency Plan (state emergency plan).

State Homeland Security serves as the lead state contact with Federal Homeland Security as well as the governor on matters relating to terrorism and state security. Additionally, according to State Homeland Security, it develops, maintains, and implements a statewide homeland security strategy. As part of this strategy State Homeland Security indicated it used federal funds to create a State Terrorism Threat Assessment Center (state center). The state center is a partnership of State Homeland Security, the California Highway Patrol, and the California Department of Justice, with representation from other allied state and federal agencies such as Emergency Services, the U.S. Secret Service, and the Federal Bureau of Investigation. Among the services the state center provides are statewide assessment products; information tracking and pattern analysis; and a connection with the latest national information from the

Federal Bureau of Investigation, Federal Homeland Security, and other federal agencies. State Homeland Security also currently administers six of the eight Federal Homeland Security grants we examined. The state emergency plan does not define an emergency response role for State Homeland Security.

Health Services administers bioterrorism preparedness funds from the federal government. It also coordinates the State's overall public health preparedness and response efforts and maintains California's public health emergency plans, including the Public Health Emergency Response Plan and Procedures and the response plan for smallpox. The state emergency plan designates Health Services as the lead state agency for responding to public health emergencies.

Because local entities typically are the first to respond to an emergency, they are also involved in emergency preparedness. Therefore, it is the responsibility of each local entity to develop and maintain an emergency response plan. In the event of an emergency requiring the activation of California's mutual aid systems (described in the next section), emergency response activities are generally conducted at the request of and, once additional resources are deployed, under the direction of the affected local government.

Federal entities involved in emergency preparedness include Federal Homeland Security and two entities within the U.S. Department of Health and Human Services: the Centers for Disease Control and Prevention (CDC) and the Health Resources and Services Administration (HRSA). In addition to its other responsibilities, Federal Homeland Security distributes grant funds to enhance the ability of states, local and tribal jurisdictions, and other regional authorities to prepare, prevent, and respond to terrorist acts and other disasters. These subrecipients can generally use the grant funds to plan, acquire equipment, provide training, and hold exercises that simulate real emergencies.

The CDC awards funds to develop emergency-ready public health departments by upgrading, improving, and sustaining their preparedness and response capabilities for "all-hazards" public health emergencies, including terrorism and naturally occurring public health emergencies. HRSA awards funds to build the capacity of hospitals and other health care institutions

to deal with large numbers of casualties. Capacity-building efforts include adding hospital beds; developing isolation capacity; identifying additional health care personnel; establishing hospital-based pharmaceutical caches; providing mental health services, trauma, and burn care; and acquiring communications and personal protective equipment. For the more recent awards, HRSA also indicated that funds should be used to focus on improving the capability of local and regional health care systems to manage mass-casualty events.

CALIFORNIA'S EMERGENCY PLAN DEFINES SYSTEMS FOR EMERGENCY MANAGEMENT AND MUTUAL AID

The California Emergency Services Act requires the development of an emergency plan that describes the principles and methods to be applied in carrying out emergency operations. Accordingly, Emergency Services has prepared the state emergency plan, which establishes a system in California for coordinating the four phases of emergency management:

- **Preparedness**—activities undertaken in advance to ensure readiness for responding to an emergency, such as developing emergency plans and mutual aid operational plans, training staff, and conducting exercises to test plans and training. (This audit focuses almost entirely on the preparedness phase.)

- **Response**—activities undertaken to respond to an emergency, such as activating warning systems and mobilizing resources. These activities focus on saving lives, controlling the situation, and minimizing the consequences of the disaster.

- **Recovery**—activities undertaken to return to predisaster conditions, such as replacing pharmaceutical supplies.

- **Mitigation**—activities undertaken to eliminate or reduce the impact of future disasters, such as creating pharmaceutical caches for use during emergencies.

Operations Response Roles During Emergencies

- Care and shelter
- Construction and engineering
- Coroners' services
- Fire and rescue
- Hazardous materials
- Law enforcement
- Medical response
- Public health
- Utilities

Source: State of California Emergency Plan.

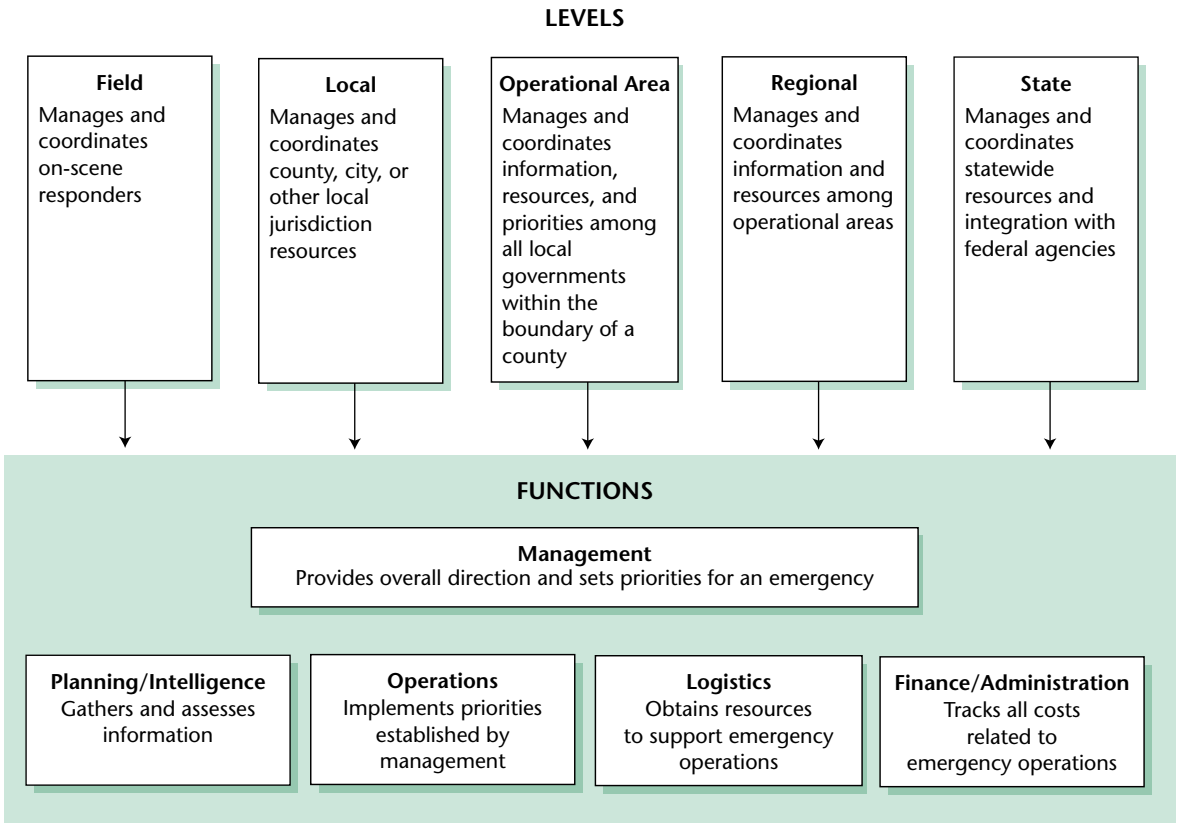
In addition to identifying the four phases of emergency management, the state emergency plan identifies nine broad roles for operations response during an emergency, as listed in the text box. Additionally, the plan designates the state agency

responsible for leading each response role. Emergency Services is identified as the lead agency for all but three of the nine operations response roles. The California Department of Social Services is the lead agency for care and shelter, the Emergency Medical Services Authority is the lead agency for medical response, and Health Services is the lead agency for public health.

As part of the state emergency plan, Emergency Services developed the Standardized Emergency Management System (SEMS), which is the State's overall framework for managing multiagency and multijurisdictional emergencies in California. Figure 1 shows that the SEMS consists of five organizational levels, which are activated as needed to respond to emergencies, including those caused by terrorist acts. The SEMS incorporates the use of the Incident Command System, which provides a means to coordinate the efforts of individual agencies as they

FIGURE 1

Standardized Emergency Management System


LEVELS
Field
Manages and coordinates on-scene responders
Local
Manages and coordinates county, city, or other local jurisdiction resources
Operational Area
Manages and coordinates information, resources, and priorities among all local governments within the boundary of a county
Regional
Manages and coordinates information and resources among operational areas
State
Manages and coordinates statewide resources and integration with federal agencies
FUNCTIONS
Management
Provides overall direction and sets priorities for an emergency
Planning/Intelligence
Gathers and assesses information
Operations
Implements priorities established by management
Logistics
Obtains resources to support emergency operations
Finance/Administration
Tracks all costs related to emergency operations

Sources: State of California Emergency Plan and other information provided by the Governor's Office of Emergency Services.

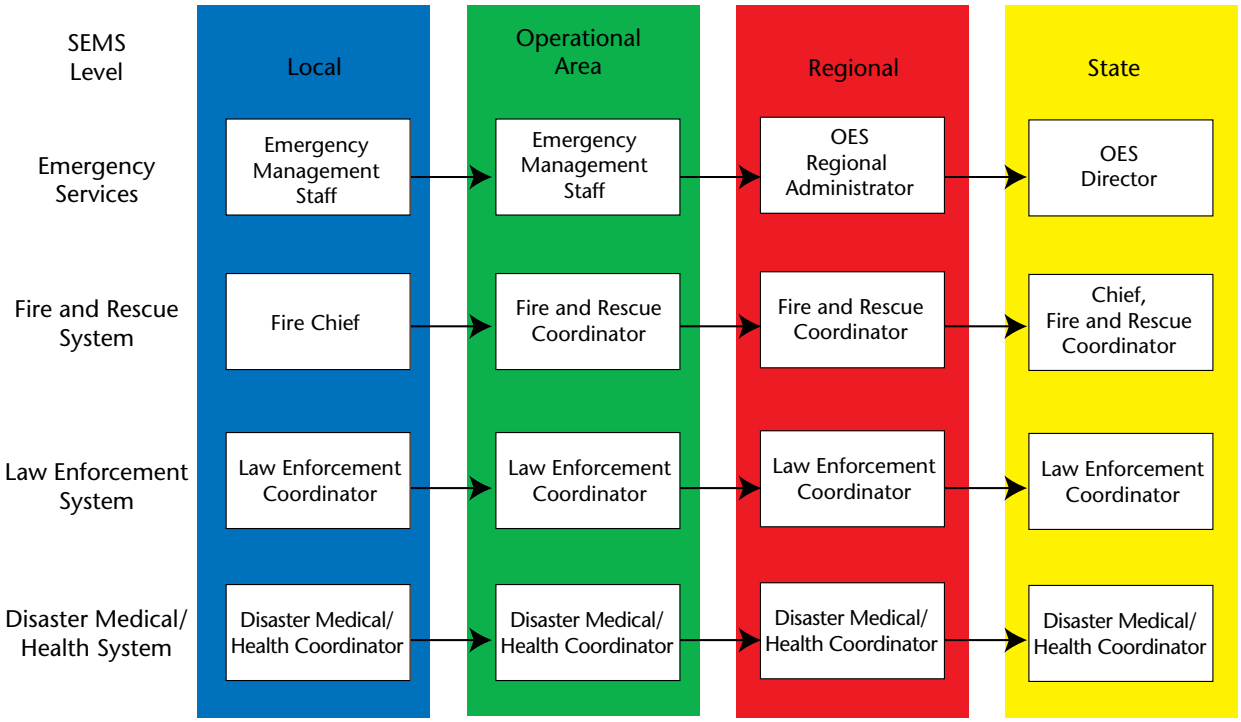
work toward stabilizing an emergency and protecting life, property, and the environment. State response agencies, such as those previously mentioned, are required by state law to use the SEMS. Local entities must use the SEMS to be eligible for reimbursement of response-related personnel costs under disaster assistance programs.

As previously illustrated in Figure 1, to coordinate the effective use of all available resources, the SEMS establishes five major functions: management, planning/intelligence, operations, logistics, and finance/administration. An emergency may require responses that exceed the resources of the affected entities and jurisdictions. When this occurs other entities, local jurisdictions, and the State may be asked to provide resources—such as trained personnel and equipment—to assist in responding. This process is known as mutual aid. Mutual aid is provided between and among local entities and the State under the terms of the California Disaster and Civil Defense Master Mutual Aid Agreement (mutual aid agreement). Developed in 1950 the mutual aid agreement has been adopted by most of California's incorporated cities, all 58 counties, and the State.

California has also developed several statewide mutual aid systems that are discipline specific, as shown in Figure 2. These systems pertain to fire and rescue, law enforcement, and medical services. Operating within the framework of the mutual aid agreement, these systems allow for the progressive mobilization of resources to and from emergency response entities, local jurisdictions, operational areas, regions, and the State to provide requesting entities with adequate resources. Local jurisdictions first use their own resources and then, as they exhaust those resources, obtain more from neighboring cities and other counties throughout the State through the statewide mutual aid systems. California's mutual aid systems are used to process resource requests during an emergency, while the SEMS provides an organizational structure to ensure adequate communication and coordination from the field to state levels. Mutual aid can also come from the federal government, other states, and volunteer and private entities.

FIGURE 2

Mutual Aid Resource Request Flow



Source: State of California Emergency Plan.

Note: The arrows represent the progressive flow of resource requests.

OES = Governor's Office of Emergency Services.

SEMS = Standardized Emergency Management System.

PREPAREDNESS CONSISTS OF FIVE ELEMENTS

According to the federal government, *preparedness* is defined as the ability to plan, organize, equip, train, and exercise homeland security personnel to perform their assigned missions according to nationally accepted standards. The federal government defines each of these elements as follows:

- **Planning**—collecting and analyzing intelligence and information, and developing policies, plans, procedures, mutual aid, strategies, and other publications that comply with the laws, regulations, and guidance necessary to perform assigned missions and tasks.

- **Organization**—establishing individual teams, an overall organizational structure, and leadership at each level in the structure that comply with the laws, regulations, and guidelines necessary to perform assigned missions and tasks.

- **Equipment**—includes major items of equipment and the supplies, facilities, and systems that comply with the equipment standards necessary to perform assigned missions and tasks.

- **Training**—encompasses the course content and methods of delivery that comply with the training standards necessary to perform assigned missions and tasks.

- **Exercises**—includes the self-assessments, peer assessments, outside reviews, compliance monitoring, and actual major events that provide opportunities to demonstrate, evaluate, and improve the combined capability and interoperability of the previous elements to perform assigned missions and tasks to standards necessary to achieve successful outcomes.

SCOPE AND METHODOLOGY

The Joint Legislative Audit Committee (audit committee) requested that the Bureau of State Audits conduct an audit of the State's administration of federal grants for homeland security and bioterrorism preparedness. We were asked to determine whether state entities are administering these grants in an efficient and effective manner. Specifically, the audit committee requested that we do the following:

- Identify the state entities responsible for homeland security and bioterrorism preparedness, their roles, and how they coordinate and communicate with each other.

- Review and assess how state entities plan and train for responding to a terrorist attack and the scale or criteria the State uses to determine the seriousness of a potential terrorist attack.

- Determine how state entities ensure compliance with their policies and procedures, including a review of the State's procedures for monitoring funds distributed to local entities.

- Examine the State's homeland security and bioterrorism preparedness funding, expenditures, and encumbrance activities, including policies for prioritizing expenditures, how state entities have spent federal homeland security and bioterrorism preparedness funds, expenditure rates, and criteria for determining the amount of funding local entities receive from the State.

- Identify impediments to the efficient and effective investment of federal homeland security and bioterrorism preparedness funds.

For purposes of this audit we broadly defined *grants* to include other types of federal financial assistance, such as cooperative agreements.

To identify the federal grants for homeland security and bioterrorism preparedness to include within the scope of our audit, we reviewed federal documents related to all grants issued by Federal Homeland Security and grants related to terrorism preparedness issued by other federal departments. We also examined revenue information for state entities that received funds under these grants. Of the 81 grants from Federal Homeland Security and 13 grants from other federal departments that we initially identified, we included within our scope 10 grants, each with the following characteristics:

- A purpose related directly to homeland security or bioterrorism preparedness.

- Inclusion of states as eligible recipients.

- Funding to California for award years 2001 through 2005 exceeding a total of $10 million.

We describe the objectives of the 10 grants in Appendix A.

Further, in most cases we included all 10 grants for every award year from 2001 through 2005. However, for a certain award year, if state entities were not eligible to receive a grant or if the grant's purpose was sufficiently unrelated to homeland security or bioterrorism preparedness, we excluded that grant for that award year from our review. For example, we excluded the Metropolitan Medical Response System from our work for grant years 2001 through 2004 because for those years the federal government did not award the grant to the states. Rather, it awarded the grant directly to selected cities.

To identify the state entities responsible for homeland security and bioterrorism preparedness, their roles, and how they coordinate and communicate with each other, we reviewed the California Homeland Security Strategy and a collaborative report to the Legislature by State Homeland Security and Health Services. We also interviewed personnel from Health Services, Emergency Services, State Homeland Security, and

representatives of some of the advisory committees that provide advice and guidance to these three state entities. We summarize the roles and responsibilities of the state entities involved in homeland security and bioterrorism preparedness in Appendix B.

To review and assess how state entities plan and train for responding to a terrorist attack, we reviewed federal and state guidance on planning and exercises, examined the State's progress in reviewing both state and local emergency plans, reviewed the State's emergency training opportunities, and examined the State's emergency exercises.

To determine how state entities ensure compliance with policies and procedures, including a review of the State's procedures for monitoring funds distributed to local entities, we reviewed the federal and state guidance for the 10 grants within the scope of our audit for applicable award years from 2001 through 2005 and examined oversight practices, reviewed program files, and interviewed personnel at Health Services, Emergency Services, State Homeland Security, and the California Service Corps.

To examine the State's homeland security and bioterrorism preparedness funding, expenditures, and encumbrance activities, we first reviewed the grant award notice or notice of cooperative agreement for each grant from fiscal years 2001–02 through 2005–06 to establish how much the State was awarded and the corresponding length of time recipients were allowed to use the funds (award period). We also identified any extensions of the award period and any supplemental awards. We then reviewed accounting records as of June 30, 2006, to determine how much of the awards the State had spent and encumbered. We also identified the types of goods or services that state and local entities planned to purchase using their homeland security grant funds for fiscal years 2005–06. For the bioterrorism preparedness grants, we used the accounting records of Health Services to identify the amount of funds spent since August 31, 2001, for the categories identified in the cooperative agreements. Finally, we tested a sample of reimbursement requests for the homeland security grants to determine how long the State took to reimburse local entities for their homeland security expenditures. We summarize the State's spending of federal grant funds for homeland security and bioterrorism preparedness in Appendix C.

To examine policies for prioritizing expenditures and the criteria for determining the amount of funding local entities receive from the State, we examined federal and state guidance documents for the grants; assessed the nature of the awards the State made to local entities; and interviewed personnel at Health Services, Emergency Services, State Homeland Security, and the California Service Corps.

To identify impediments to the efficient and effective investment of federal homeland security and bioterrorism preparedness funds, we reviewed reports from the GAO and Federal Homeland Security regarding slow rates of homeland security spending, examined how quickly State Homeland Security allocated funds from the four largest grants to local entities, and interviewed a sample of local grant administrators.

To review and assess the scale or criteria the State uses to determine the seriousness of a potential terrorist attack, we examined the State's process for assessing the risk of threats and interviewed personnel from State Homeland Security. Appendix D describes this process.

We performed reliability assessments of the expenditures, encumbrances, and grant allocation data provided by Emergency Services and Health Services and determined that these data are sufficiently reliable for use in this audit. ■

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CHAPTER 1

California Faces Several Challenges in the Administration of Federal Grants for Homeland Security and Bioterrorism Preparedness

CHAPTER SUMMARY

Our review of the State's administration of 10 federal grants for homeland security and bioterrorism preparedness revealed several concerns. First, we question whether California's statewide exercises have realistically and sufficiently tested the emergency response capabilities of California's medical and health systems. Without adequate testing California does not know how well its medical and health systems will respond to emergencies. Second, California's spending of federal funds awarded to improve homeland security in the State has been slow. As of June 30, 2006, the State had spent only $404 million (42 percent) of the $954 million in homeland security funds awarded to it from 2001 through 2005. Impediments to quicker spending include the length of time to award allocations to local entities. In one instance nearly 10.5 months passed between the start of the award period and the State's awarding the allocations. Further, local entities offered several reasons why it took so long to spend federal grant funds, including the State's slow process for reimbursing local entities for their homeland security expenses and the short time allowed for developing budgets coupled with a time-consuming budget revision process.

Another concern regarding administration of funds for emergency preparedness is that the Governor's Office of Emergency Services (Emergency Services) is behind schedule in its receipt and review of the emergency operations plans of 35 of California's 58 counties and of 17 of 19 state entities that are key responders during emergencies. Therefore, California has less assurance that these plans will effectively guide the entities in their responses to emergencies.

We also assessed efforts by the State to monitor subrecipients' use of homeland security and bioterrorism funds. Currently, the State's efforts appear to comply with minimal requirements

set by the federal government. Generally, the State performs the four types of monitoring suggested by federal guidance. However, only the Governor's Office of Homeland Security (State Homeland Security) examines subrecipients' use of federal grant funds during on-site reviews. To meet the requirements of legislation enacted in 2005, the California Department of Health Services (Health Services) must begin performing audits of subrecipient cost reports by January 2007. Planning documents indicate that Health Services intends to perform these audits on site. As of August 2006 Health Services was continuing with its planning efforts.

Finally, our review revealed that the State's organizational structure for ensuring emergency preparedness is neither streamlined nor well defined. Continuing ambiguity in the relationships between Emergency Services and State Homeland Security and among the numerous committees that provide advice and guidance could adversely affect emergency response and reduce the State's efficiency and effectiveness in investing these federal grant funds.

ANNUAL STATEWIDE EXERCISES HAVE NOT SUFFICIENTLY TESTED CALIFORNIA'S MEDICAL AND HEALTH SYSTEMS

Although the State has been conducting emergency exercises simulating various threats throughout the last few years, California's two major annual exercises have not exerted sufficient stress on medical and health systems to determine how well they can respond to emergencies. In 2005 Golden Guardian—State Homeland Security's annual exercise for various first-responder disciplines—included a simulation involving about 550 casualties suffering from moderate-to-acute injuries or who died at the scene, which is at the low end of the range of 250 to 10,000 casualties estimated for a moderate-size emergency, and lacked sufficient realism. For instance, one participant stated that the exercise tested medical mutual aid from a source that would not be used in an actual emergency. Further, although the State's other annual exercise—the Statewide Medical and Health Disaster Exercise—was designed to fulfill exercise needs for local medical and health systems, it has not tested the medical and health mutual aid systems on a statewide basis. As a result, California does not know how well its medical and health systems can respond to all emergencies.

Rigorous, Realistic Testing of All Aspects of Emergency Response Identifies Preparedness Priorities

The federal government states that for exercises to be effective, it is important that they be realistic and credible and that they test and stress response systems.

The U.S. Department of Homeland Security (Federal Homeland Security) states that well-designed and executed exercises are the most effective means of testing and validating policies, plans, procedures, training, and equipment and are crucial for identifying opportunities for improvement. By highlighting potential preparedness shortfalls before real emergencies occur, exercises can identify the preparedness priorities that become the basis for future funding, training, and equipment purchases. In support of this concept, guidance for both the homeland security and bioterrorism preparedness grants has addressed the necessity for realistic exercises. According to the federal government, for exercises to be effective in identifying both strengths and areas needing attention, it is important that they be realistic, designed to test and stress response systems, and credible enough for participants to suspend their inherent disbelief in hypothetical situations. Guidance for the Cooperative Agreement for the National Bioterrorism Hospital Preparedness Program states that exercises must be of sufficient intensity to challenge the community's management and response operations, in a way similar to what would be expected during an actual bioterrorism incident.

State Homeland Security describes California as a high-risk state with a wide variety of potential targets. Therefore, we would expect California's disaster exercises to involve scenarios that realistically and rigorously stress the emergency response plans of all first-responder disciplines, including police, fire, and medical and health services.[3] Further, the California Terrorism Response Plan indicates that a single act of terrorism in California could result in mass casualties. Federal guidance on national preparedness suggests that a mass-casualty incident will likely overwhelm the medical infrastructure of an affected jurisdiction. Finally, the State of California Emergency Plan (state emergency plan) declares that the State's highest priority during emergency response is the protection of life. Thus, we would expect the State's exercises to rigorously test, in particular, the medical and health systems' ability to respond effectively and in coordination.

Since the late 1990s California has held exercises to test the ability of its medical and health systems to respond to emergencies, and local and state entities have participated in

[3] An exercise scenario provides the backdrop and story line that drive an exercise.

exercises around the State. These exercises have focused on local, regional, and state emergency response and coordination across first-responder disciplines. They have ranged from discussion-based exercises, such as seminars, workshops, and tabletop exercises, to operations-based exercises, such as drills, functional (command post) exercises, and full-scale exercises.

Annually, California holds two major exercises. Since 1999 the Emergency Medical Services Authority (Medical Services) has held an annual Statewide Medical and Health Disaster Exercise. More recently designed exercises have simulated biological and explosive disasters to test medical and health preparedness. Additionally, in 2004 and 2005, California ran a series of homeland security exercises called Golden Guardian, which has been the centerpiece of State Homeland Security's exercise program. These exercises have focused on testing California's mutual aid systems with simulations of multiple terrorist acts in various areas of the State.

The two Golden Guardian exercises focused on testing California's mutual aid systems with simulations of multiple terrorist attacks in various areas of the State.

According to Federal Homeland Security, a full-scale exercise is the most complex type of exercise and is conducted in a real-time, stressful environment that closely mirrors an actual event. A full-scale exercise focuses on implementing and analyzing the plans, policies, and procedures developed in discussion-based exercises and honed in previous, smaller operations-based exercises such as drills.

Statewide Full-Scale Exercises Have Lacked Realism and Rigor

We question whether the Golden Guardian exercises and the Statewide Medical and Health Disaster exercises have realistically and sufficiently tested California's medical and health systems. We base our conclusion on the following concerns:

- Testing of the statewide mutual aid system for medical and health care has been inadequate and lacked sufficient realism.
- The exercises may have included insufficient numbers of simulated casualties.
- Emergency Services raised questions about the design and conduct of Golden Guardian 2005.
- No operational areas in Southern California, the most populous portion of the State, participated in Golden Guardian 2005.

One weakness in the statewide, full-scale exercises held by California is that they have not sufficiently and realistically activated mutual aid for the State's medical and health systems. As discussed in the Introduction, mutual aid is the set of coordinated systems that enable local jurisdictions to call on outside resources when needed. Thus, to reveal how well the State can respond to emergencies with large numbers of casualties, exercises need to activate mutual aid, especially exercises intended to make heavy demands on the availability of local resources. However, according to the chief of its Disaster Medical Services Division (chief), Medical Services did not design its annual Statewide Medical and Health Disaster exercises to activate the State's medical and health mutual aid systems. The 2004 and 2005 exercises included objectives to satisfy accreditation requirements for hospitals and, according to the chief, were designed to fulfill local medical and health exercise needs but were not intended to trigger and work the statewide medical and health mutual aid systems.

According to a division chief, the annual Statewide Medical and Health Disaster exercises were not designed to activate the State's medical and health mutual aid systems.

Further, the design of Golden Guardian 2005 lacked key elements that detracted from its realism for the participants in the medical and health fields. State Homeland Security acknowledges that the health care system is a critical component of emergency response and public protection and that hospitals, emergency medical system providers, and public health departments were integral in the Golden Guardian 2005 planning. Nevertheless, State Homeland Security did not assign enough controllers to oversee the exercise for players from the medical and health systems, according to the regional disaster medical and health specialist (specialist) for the coastal region. Guidance from Federal Homeland Security states that controllers—those responsible for planning and managing the exercise—are the only participants who should provide information and direction to exercise participants. Consequently, according to the specialist for the coastal region, because the exercise did not have enough controllers, hospitals participating in the exercise did not receive the messages they needed to spur their activity.

The specialist for the coastal region also stated that future Golden Guardian exercises should be based on events that might actually occur in an emergency. She specifically cited the ferrying of 200 patients across San Francisco Bay as an example of mutual aid that was performed in Golden Guardian 2005 but was unrealistic in the scenario of the exercise; ground

transportation could arrive at the final destination faster than ferries. She added that in a real emergency, patients would first be transported to surrounding counties by ground or air.

Another concern is that the Golden Guardian exercises and the Statewide Medical and Health Disaster exercises may not have simulated sufficiently large mass-casualty incidents to fully test the medical and health mutual aid systems. According to a division chief, Medical Services does not collect data on the number of simulated casualties from counties participating in the annual Statewide Medical and Health Disaster exercises. Therefore, the Golden Guardian series of exercises contained the largest known number of simulated casualties. Information in the after-action report for the Golden Guardian 2004 exercise shows that the largest number of casualties in any location was 240. The Golden Guardian 2005 exercise scenario stated that 2,050 casualties occurred in one location from explosions and a chemical release, of which 1,500 (75 percent) had at most minor injuries that did not require hospitalization. According to guidance from the federal Centers for Disease Control and Prevention (CDC), minor casualties are those who can be treated and released by hospital emergency departments. The scenario stated that the remaining 550 casualties died at the scene, suffered from moderate-to-acute injuries, or showed symptoms of low-to-high levels of chemical contamination. The surviving casualties represented victims who may have required emergency surgery or hospitalization.

The draft Medical Care and Public Health Surge Plan states that disasters of moderate severity could have up to 10,000 casualties.

The number of simulated casualties represented in the Golden Guardian 2005 exercise is close to the low end of the range of casualties that the State estimates could be generated by a moderate-size emergency. We found no broadly accepted standard that specified the number or range of injuries that defines a mass-casualty event. However, the draft Medical Care and Public Health Surge Plan,[4] jointly authored by Health Services and Medical Services, states that disasters of moderate severity could have from 250 to 10,000 casualties with medical and health consequences. The 550-person casualty figure in Golden Guardian 2005 is close to the low end of that range, especially considering that 120 people were simulated to have died at the scene and therefore did not require hospital services.

[4] According to the U.S. Department of Health and Human Services, surge capacity is a health care system's ability to rapidly expand beyond normal services to meet the increased demand for qualified personnel, medical care, and public health in the event of bioterrorism or other large-scale public health emergency or disaster.

According to State Homeland Security, the primary goal of Golden Guardian 2005 was to plan and conduct a statewide, full-scale exercise based on the use of weapons of mass destruction. As part of the exercise, the State planned to activate a minimum of two counties supporting mutual aid in the regions surrounding the targeted exercise venues. The State also planned to activate its state operations center. State Homeland Security's coordinators for Golden Guardian 2005 believe that the 2,050 simulated casualties sufficiently and realistically tested the medical and health systems. The coordinators point out that they designed the medical and health components of Golden Guardian 2005 to overwhelm the ability of the affected local jurisdictions to respond. They also added that the design of Golden Guardian 2005 was constrained by the maximum resources that local participants were willing and able to dedicate to the exercise. Thus, the State had to temper its desired objectives to mirror the number and type of local participants. Notwithstanding the assertions of State Homeland Security, through full-scale exercises, California has stressed its capabilities to respond to only a fraction of the possible casualties of a moderate-size emergency.

According to the director of Emergency Services, "local participants have stated that [Golden Guardian 2005] was confusing and frustrating and called into question the credibility of the State's level of preparedness."

Other concerns specific to Golden Guardian 2005 came to our attention during our audit. First, Emergency Services raised concerns about the exercise in a February 2006 letter to the director of State Homeland Security. In it, Emergency Services' director stated that "exercises should result in a realistic, meaningful, and accurate evaluation of capabilities that is goal oriented," but that "the inadequate integration of the [Standardized Emergency Management System] by [State Homeland Security], coupled with unfocused objectives, caused exercise design flaws and problems in the exercise play." Specifically, the Emergency Services director noted, "local participants have stated that [Golden Guardian 2005] was confusing and frustrating and called into question the credibility of the State's level of preparedness."

Additionally, in its initial exercise reviews, Emergency Services reported that the fire and rescue mutual aid system did not receive mutual aid requests during Golden Guardian 2005 because the exercise was designed to have those resources already available. These initial exercise reviews also stated that a number of state agencies participating in the emergency response in the exercise were, in fact, not agencies from which Emergency Services would request support based on their administrative orders and that some of the information meant to spur exercise play was not realistic. In its analyses of the

exercise, Emergency Services also stated that several exercise objectives, such as activating the state operations center and calling up its staff, were not tested because participants were already in place at the start of the exercise.

Finally, no entity from Southern California participated in Golden Guardian 2005. According to the draft after-action report for this exercise, only five Bay Area operational areas (Alameda, Contra Costa, San Francisco, San Mateo, and Santa Clara) and three operational areas around Sacramento (Placer, Sacramento, and Yolo) participated. Operational areas in Southern California did not participate in Golden Guardian 2005 because of calendar conflicts, according to the draft after-action report for the exercise. San Bernardino County, which was originally scheduled to participate in the 2005 exercise but later withdrew, did not confirm for us in writing why it withdrew.

Until its statewide exercises exert sufficient and realistic stress on its medical and health systems, California cannot ensure that its medical and health systems are prepared to respond adequately to emergencies.

Until its statewide exercises exert sufficient and realistic stress on its medical and health systems, California cannot ensure that medical and health systems in the State are prepared to respond adequately to emergencies. State Homeland Security has begun planning for Golden Guardian 2006. As of July 10, 2006, the draft exercise plan states that the 2006 exercise will focus on two large-scale events. State Homeland Security plans for a total of eight counties to be involved in this year's exercise. One county in Southern California will simulate its response to an explosive device and chemical release. Six counties in the Bay Area will simulate their responses to a catastrophic earthquake comparable to the one in San Francisco in 1906. One local entity in the Central Valley will simulate its support of the Bay Area with a mass care and shelter exercise.

According to the chief of its Disaster Medical Services Division, Medical Services plans to complement the Golden Guardian 2006 exercise with the 2006 Statewide Medical and Health Disaster Exercise. Medical Services' exercise will use the earthquake scenario to allow interested participants to act as unaffected areas who are receiving patients from the Bay Area. The chief said that this will provide an opportunity for hospitals, clinics, local emergency medical service agencies and health departments, blood banks, ambulance providers, and others to exercise their medical surge plans.

CALIFORNIA'S SPENDING OF SOME FEDERAL FUNDS HAS BEEN SLOW

As of June 30, 2006, Emergency Services and State Homeland Security had spent only 42 percent of funds granted to the State for homeland security since 2001.

The State has not promptly spent federal funds received since 2001 for homeland security. As of June 30, 2006, although Health Services had spent 78 percent of the federal funds granted for bioterrorism preparedness, Emergency Services and State Homeland Security had spent only 42 percent of the funds granted to the State for homeland security. Some of the unspent grant awards are due to expire by December 31, 2006, putting encumbrances and unobligated amounts totaling roughly $239 million in jeopardy. Impediments to quicker spending of federal homeland security funds include the length of time to award allocations to local entities. Also, local entities offered several reasons for the slow spending, including the State's slow process for reimbursing local entities and the combination of a short time allowed for developing budgets and the time-consuming budget revision process. State Homeland Security is attempting to clear obstacles to efficient spending by reallocating funds from slow-spending operational areas to those with homeland security projects that need funding.

Of the $1.3 billion in federal grants for homeland security and bioterrorism preparedness awarded to California from 2001 through 2005, California spent or encumbered more than 90 percent.[5] As the Table on the following page shows, as of June 30, 2006, California had spent 53 percent of these awards and encumbered an additional 42 percent; only 5 percent was unobligated.

The Table also shows that the State's spending of the federal funds awarded for bioterrorism preparedness is occurring at a faster pace than for homeland security. As of June 30, 2006, Health Services had spent 78 percent ($302 million of the $386 million awarded) and encumbered an additional 12 percent ($46 million). The unobligated balance of $38 million is mostly attributable to federal funds awarded to California for award periods beginning in late 2005. On the other hand, of the $954 million in federal homeland security funds awarded to California since 2001, Emergency Services and State Homeland Security had spent only 42 percent ($404 million) as of June 30, 2006. These two entities had encumbered another 54 percent ($513 million), leaving 4 percent ($36 million) unobligated. Of those unobligated funds most ($28 million) are from one grant with an award period of October 2004 through March 2007.

[5] An encumbrance is an obligation to pay for (a) goods and services that have been ordered by means of contracts but have not yet been received or (b) salary commitments not yet earned. An unobligated balance is the portion of the grant that has not been spent or encumbered.

TABLE

Status of Federal Grant Funds for Homeland Security and Bioterrorism Preparedness Awarded to California Since 2001, as of June 30, 2006 (Dollars in Thousands)

Grant Type	Award Amount	Amount Spent	Amount Encumbered	Other Amounts	Unobligated Balance
Homeland Security	$ 953,792	$404,370	$512,520	$532	$36,370
		42.4%	53.7%	0.1%	3.8%
Bioterrorism Preparedness	385,913	302,426*	45,856	—	37,631
		78.4%	11.9%		9.7%
Totals	**$1,339,705**	**$706,796**	**$558,376**	**$532**	**$74,001**
		52.8%	**41.7%**	**0.0%**	**5.5%**

Sources: Accounting and other records obtained from the California Department of Health Services (Health Services), the Governor's Office of Emergency Services, and the Governor's Office of Homeland Security.

* An undetermined portion of the amounts shown as spent may not yet have been spent by local jurisdictions. By law the Health Services issues periodic advances to subrecipients of the two component grants for bioterrorism preparedness. Health Services records these advances as expenditures in its accounting system. For the Cooperative Agreement for Public Health Preparedness and Response for Bioterrorism, Health Services does not adjust amounts of subsequent advances based on the amounts that subrecipients report spending from prior advances. Therefore, some subrecipients maintain balances of unspent federal funds. In a prior audit report (*State of California: Internal Control and State and Federal Compliance Audit Report for the Fiscal Year Ended June 30, 2005*, 2005-002, April 2006), we noted that Health Services' records indicated that subrecipients reported they had unspent funds totaling more than $5.8 million for fiscal year 2004–05.

Five homeland security grants with a total award of $543 million are due to expire between September 30, 2006, and December 31, 2006. Therefore, for these five grants California must spend the remaining $239 million in encumbered funds or risk losing the ability to use them. Although the federal government has in the past extended the award periods for these grants, State Homeland Security told us that the federal government recently denied its request for an award period extension for the 2001 and 2002 homeland security grants.

Appendix C summarizes the State's spending of federal grant funds for homeland security and bioterrorism preparedness since 2001. Because the purpose of these federal grants is to improve preparedness for responding to emergency situations, including terrorist acts, the slow pace of spending of the homeland security funds is a sign that California may not be as prepared as it otherwise could be.

Impediments to Quicker Spending Exist

The State passes much of the funds from homeland security grants through to local entities. As part of our examination of why spending was slow for homeland security funds, we calculated for the four largest grants—the 2003 State Homeland Security Program, Part II; the 2004 Urban Areas Security Initiative; and the 2004 and 2005 Homeland Security Grant programs—the number of months between two milestones: the date of the beginning of the award period and the date that State Homeland Security notified local entities of their award amounts. Actions taking place between these two milestones included local entities preparing and submitting applications and budgets to State Homeland Security, State Homeland Security preparing and submitting an application and budget to Federal Homeland Security, and Federal Homeland Security notifying State Homeland Security of the approval of its application.

For one grant, nearly 10.5 months elapsed from the start of the award period before State Homeland Security notified local entities of their award amounts.

The amount of time between the two milestones ranged from three months for the 2003 State Homeland Security Program, Part II, to nearly 10.5 months for the 2005 Homeland Security Grant Program. Seven months passed between the two milestones for the 2004 Urban Areas Security Initiative and the 2004 Homeland Security Grant Program. We commented on the State's slowness in allocating 2005 Homeland Security Grant Program funds in a report issued earlier in 2006.[6] We observed that State Homeland Security did not obligate 80 percent of the 2005 Homeland Security Grant Program within 60 days of receiving the grant award for the four component programs to which the requirement applied. Specifically, we reported the following:

> [Despite] receiving its grant award on March 14, 2005, [State] Homeland Security did not obligate 80 percent of the funds until August 10, 2005, nearly three months late. According to the assistant deputy director for grants management, [State] Homeland Security did not obligate these funds within the 60 days because it believed it first needed [Federal Homeland Security's] approval of the State's Initial Strategy Implementation Plan (strategy plan). When an official with [Federal Homeland Security] informed [State] Homeland Security on August 9, 2005, that the obligation of the funds was not tied to the

[6] *State of California: Internal Control and State and Federal Compliance Audit Report for the Fiscal Year Ended June 30, 2005*, 2005-002, April 2006.

approval of the strategy plan, [State] Homeland Security obligated on the next day amounts to each of the four programs that were equal to or in excess of the 80 percent required by the grant's provisions.

Officials with six of nine local entities we interviewed noted that a slow reimbursement process impeded their spending.

Local entities we contacted also identified impediments to prompt spending of homeland security funds. Officials with six of the nine local entities we interviewed noted that a slow reimbursement process impeded their spending. Some local entities indicated that they pay for their homeland security purchases using their own funds and receive reimbursement for their purchases from the State at a later date. However, when the State is slow in reimbursing them for their purchases, local entities may not be willing or able to spend more of their own funds and cannot proceed with additional homeland security purchases.

One example of a local entity attempting to cope with this slow reimbursement process is the City of San Diego. A program manager with the city stated that because it uses the general fund for homeland security purchases, a number of local jurisdictions as well as the city have had to ensure that sufficient general fund monies existed to allow for the issuance of purchase orders and contracts. According to the program manager, this sometimes resulted in delays until reimbursements were received and credited to allow for the necessary cash flow. Similarly, a commander with the City of Santa Ana's police department told us the city often runs a deficit ranging from $1.5 million to $4 million because it has not received reimbursements for its homeland security purchases. The City of Santa Ana has allowed these deficits and continues to move forward with expenditures for homeland security. However, the commander said that at a certain point the city will no longer allow the deficits to continue to increase, preventing additional purchases.

To determine the length of time it takes State Homeland Security and Emergency Services to process requests for reimbursements from subrecipients, we examined samples of reimbursement payments made at two points in 2006. Our review of a sample of 19 payments made in April and early May showed that it took an average of 73 days to pay reimbursement requests from subrecipients. Within this average period, State Homeland Security and Emergency Services took an average of 66 days to process reimbursement requests. The remaining seven days were spent submitting claim schedules to the State Controller's Office and issuing payments. Our review of a sample of 10 payments made in late May and early June 2006 showed that the State

reimbursed subrecipients in less time than we found in the previous sample. Specifically, it took the State an average of 50 days to pay reimbursement requests from subrecipients. It took State Homeland Security and Emergency Services an average of 41 days to process the reimbursement requests; the remaining nine days were spent submitting claim schedules to the State Controller's Office and issuing payments.

Based on the results of our testing, the State's current reimbursement process—which spans roughly seven to 10.5 weeks—probably does not contribute significantly to the inability of subrecipients to spend federal grant funds the State awarded them. However, by comparison, the averages for the two samples are both longer than the 45-day maximum established by law for the State to pay invoices from its contractors. State law requires state agencies to process invoices within 30 days of receipt and allows the State Controller's Office a maximum of 15 days to make a payment. We believe that if it is reasonable for state agencies to process invoices from contractors within 30 days, it is also reasonable for State Homeland Security and Emergency Services to process reimbursement requests from subrecipients within that time.

State Homeland Security acknowledges the slowness of its payment process and the impact it has on local spending. A program manager within State Homeland Security stated the following:

> [In] previous years payment of reimbursement requests from subgrantees were often delayed. The result of these delays was a lack of confidence [on the part of subrecipients] in timely repayment. For cash-strapped local governments, a fear of delays in repayment resulted in hesitation in making purchases, especially for high-dollar items.

Local entities discussed various problems with the budgeting process as an impediment to spending homeland security funds.

Another impediment is the budgeting process for homeland security funds. Six of the nine local entities discussed various problems they experienced with the short time allowed for developing a budget—a required addendum to the grant application—or the time-consuming budget revision process. The disaster management officer for the City of Long Beach noted that the city cannot create an accurate budget in the short time provided; thus, it must later submit budget revisions to the State. An emergency services officer for San Bernardino County noted that tracking the information for budget revisions for the nearly 30 entities that the county reimburses

for homeland security purchases is labor intensive. She stated that each budgeted item has to be changed to match the final reimbursement request, which in turn must match what the State has on file.

According to a grant supplement to federal program guidelines created by State Homeland Security, "post-award budget, scope and time modifications must be requested in writing," and local grant administrators "may implement the modifications, and incur the associated expenses, after receiving written approval of the modification." The supplement further states that failure "to submit modification requests, and receive written approval prior to the expenditure, could result in a reduction or disallowance of that part of the grant." Thus, before any of the 30 entities that San Bernardino reimburses can purchase equipment that differs from the original budget in type, amount, or cost, the county must submit a budget modification to and receive preapproval from the State.

Their own procurement policies impede local governments' efforts to acquire homeland security equipment, according to local officials.

Officials from five local entities also mentioned that procuring homeland security equipment is slowed by the contracting and approval requirements imposed by their local governments' policies. This is significant because homeland security grants from 2001 through 2003 limited the bulk of their spending to equipment. For example, a sheriff's captain from Alameda County noted that the county requires any purchase of $3,000 or more to go out for bid, with each bid process to include at least one small, local, emerging business in Alameda County; this requirement greatly impedes progress in spending grant funds. The homeland security coordinator for the City of San Diego told us that purchases of $250,000 or more must be approved by the city council, which generally creates an additional six-week delay after the bid process is completed. By comparison, the City of Oakland has waived the need for its city council to approve purchases, thus speeding up the process. We believe procurement rules may have magnified spending problems for those early homeland security grants that entirely or nearly entirely limited purchases to equipment.

Another impediment cited by officials of two local entities was the difficulty of taking advantage of sole-source procurement programs offered by the federal government. According to a program manager at State Homeland Security, the advantage of using these preapproved vendors, vetted through the federal bid process to ensure fair pricing, is that local entities do not need to spend the time going through their normal purchasing

processes, which could include obtaining competitive bids. Further, because the federal government directly pays these vendors after the local entities have received the goods or services they selected, delayed reimbursement is not a concern. However, the rules of some local entities do not enable them to take advantage of these federal procurement programs. A sheriff's captain from Alameda County noted that sole-source procurement in Alameda requires a lengthy and time-consuming process. The sheriff's captain specifically noted one instance when, because of its rules, the county took 11 months to conclude that the federal vendor was indeed the best available bid.

The practice of granting extensions to spending federal awards has had the trickle-down effect of lessening the urgency with which local jurisdictions pursue homeland security purchases.

Finally, officials from four entities we interviewed disclosed that some local jurisdictions lack a sense of urgency. The emergency services officer for San Bernardino County stated that the practice of granting extensions to spending federal grant awards has had the trickle-down effect of lessening the urgency with which local jurisdictions pursue homeland security expenditures. In contrast, the federal Homeland Security Advisory Council asserted, "There is no greater priority than ensuring that the men and women who serve on the front lines of our domestic war on terrorism have the equipment and resources they need to protect our communities from future attacks." Additionally, it stated, "There exists an urgent need to provide training, equipment, information, and financial support to those who are responsible for detecting, preventing, responding to, and managing the consequences of a terrorist attack."

State Homeland Security Is Making an Effort to Increase Spending Rates

To resolve impediments to prompt spending of grant funds, State Homeland Security has begun taking steps. During our audit State Homeland Security implemented a process to redirect unspent funds to other needs across the State. In April 2006 State Homeland Security began reallocating funds from slow-spending state agencies to operational areas that would be able to spend the funds. One of the first agencies to relinquish unused homeland security funds was the California Military Department. Of the $901,200 it returned to State Homeland Security, $400,000 was allocated to San Diego's Metropolitan Transit System for a project at the San Ysidro station. The remaining $501,200 was allocated to Kings County for a hazardous materials response vehicle.

We believe that Homeland Security can do more to address spending problems encountered by local entities. Specifically, we believe that the lack of a formal forum for local jurisdictions to raise concerns with the State contributes to the impediments. Health Services already has such a forum—the Joint Advisory Committee on Public Health Preparedness (joint advisory committee)—for the two federal bioterrorism preparedness grants it administers. The joint advisory committee includes representatives from a wide array of state offices and public and private entities. Among other benefits, this committee has helped Health Services resolve concerns raised by subrecipients. For example, after the joint advisory committee and other groups representing local interests discussed local concerns regarding the lack of hospital coordination and integration at the local level, Health Services increased the base funding given to each county to allow them a half-time coordinator.

Further, the federal Homeland Security Advisory Council cited the State of New York's formation of a "procurement working group" to deal with problems as they arise as an example of an innovative mechanism to support the procurement and delivery of emergency response equipment. We believe that such a forum would benefit California as well.

According to one of its program managers, in the past State Homeland Security convened a working group composed of local and state representatives to resolve local concerns about poor reimbursement forms. The program manager indicated that this working group met in October 2005 and included subrecipients with the most complicated fiscal management issues. State Homeland Security worked with them to develop a system that would better meet the needs of both the subrecipients and State Homeland Security. The program manager also stated that the financial management workbook produced by this working group was warmly received at subsequent fiscal management workshops as a solution to many problems that had plagued the fiscal and reimbursement processes.

State Homeland Security is considering establishing a grant management policy advisory panel (advisory panel) that would consist of state and local representatives. According to State Homeland Security, the advisory panel would meet to discuss and comment on proposed grant management policy decisions. Although the advisory panel would have no decision-making power, State Homeland Security would use it as a representative cross-section of the State to act as a sounding board for ideas

and proposed changes in grant administration. Input from the advisory panel would be used to avoid mistakes in policy and to anticipate and address resistance to policies.

STATE REVIEWS OF EMERGENCY RESPONSE PLANS ARE BEHIND SCHEDULE

The state emergency plan and other existing emergency and mutual aid plans guide public entities during their response to declared emergencies. In the state emergency plan Emergency Services acknowledges that it did not intend the document to stand alone but to be used in conjunction with the emergency operations plans established by local governments and state agencies. California, however, has not ensured that the emergency plans of local government entities and other state agencies are up-to-date. Although it has established a timetable for receiving and reviewing local emergency plans, the State has not kept up with its schedule and has failed to receive and review the plans of several of the most populous counties. Additionally, the State is unaware of how recently it reviewed emergency plans of most state agencies considered critical to emergency response. As a result California cannot ensure that these plans incorporate all relevant changes in agency reorganizations, new laws, and experience with both exercises and actual disasters. California also has less assurance that these plans will effectively guide the entities in their response to emergencies.

Emergency Services' policies state that it ensures the coordination of local and state emergency plans in accordance with state law, which stipulates that the state emergency plan be effective in each subdivision of the State. The policies further state that local governments are requested to update their emergency operations plans every three years and submit them to Emergency Services for review for completeness and consistency with state guidelines.

Since 2002 Emergency Services has not received and reviewed emergency operations plans of 35 of the State's 58 counties.

Despite its policies, Emergency Services has not regularly received and reviewed the emergency plans of local government entities to ensure that they are integrated into and coordinated with the state emergency plan. Since 2002 Emergency Services has not received and reviewed emergency operations plans of 35 of the State's 58 counties. According to data from the California Department of Finance, the 35 counties contain 66 percent of California's population. They also include six of the nine Bay Area counties and five of the eight Southern California counties. Further, Emergency Services last received and reviewed the plans of 25 counties—including Los Angeles, San Diego, San Francisco, and Sacramento—in the 1990s. Figure 3 on the following page identifies these counties.

FIGURE 3

Status of Review of County Emergency Operations Plans by the Governor's Office of Emergency Services

Sources: Documents obtained from the Governor's Office of Emergency Services.

When asked about the policy for reviewing local entities' emergency plans, a deputy director at Emergency Services commented that no statute requires a three-year cycle for plan updates and reviews, adding that the policy is more of a target and preferred approach than a mandate. However, we believe that the cycle provides a good frame of reference for examining the status of Emergency Services' review of local plans and that Emergency Services should therefore adhere to its policy of regularly reviewing the emergency plans of local government entities, thereby ensuring that they are integrated into and coordinated with the state emergency plan.

An executive order signed by the governor in 1991 states that Emergency Services must coordinate all state agency activities related to preparing and implementing the state emergency plan. The executive order requires that draft copies of state agency emergency plans and procedures be submitted to Emergency Services for review and approval before publication. However, Emergency Services was not able to provide documentation of its receipt, review, or approval of emergency plans and procedures for most state agencies with key response roles. In fact, it provided documentation of its review or approval for plans created by only four of the 19 agencies it identified as having key response roles in recent guidance on implementing the national incident management system.

Emergency Services had no records to show the dates of its review and approval of emergency plans for 15 of 19 key state response entities.

Of the four state entities' emergency response plans and procedures for which Emergency Services provided documentation for its review or approval, only two were dated after 2002. Thus, to Emergency Services' knowledge, it has not reviewed and approved the plans and procedures for 17 of the 19 key state response agencies since 2002. Further, Emergency Services does not have any records to show the dates of its review and approval of the plans of the other 15 state entities. To supplement its records, Emergency Services contacted the 19 agencies to learn whether they had additional records concerning their emergency plans, but did not provide us with any additional documentation.

According to a senior emergency services coordinator, Emergency Services has not formally adopted procedures to guide its review and approval of state agency emergency response plans. However, we believe that the three-year review cycle adopted for local emergency plans, as previously discussed, is a fair measure for judging the status of the State's review of key state agency emergency response plans. By

comparison, Health Services states that it will review and update its Public Health Emergency Response Plan and Procedures, approved by Emergency Services in November 2005, no less than once every two years, with certain areas, such as the assignment of specific personnel, reviewed on a quarterly basis.

Emergency Services has not formally adopted procedures to guide its review and approval of state agency emergency response plans.

The current status of Emergency Services' review of local and state agency plans is the result of weak internal controls. As noted earlier, Emergency Services has not formally adopted procedures to guide its review and approval of state agency emergency response plans; and as indicated by its inability to provide documentation, it has not tracked and retained records for its receipt and review of emergency plans of the key response agencies. Further, according to a deputy director, Emergency Services does not follow up with counties that have not submitted updated plans. Nonetheless, according to Emergency Services' Emergency Planning Guide, an emergency plan is a living document, subject to revision based on agency reorganization, new laws, experience with exercises, and actual disasters. This guidance affirms that, to be effective, emergency operations plans need updating frequently.

According to Emergency Services, local governments face potential consequences from not having current emergency plans, including exposure of a local entity to increased liability because the California Emergency Services Act provides greater liability protection for actions taken in concert with it. Also, local entities risk losing some funds for disaster response and recovery because of difficulty in documenting compliance with the Standardized Emergency Management System (SEMS). Finally, lacking up-to-date plans, local governments could garner public criticism and experience political fallout. Emergency Services states that the media and the public have access to government records and may look negatively on a lack of compliance with emergency planning requirements.

Because Emergency Services has not kept pace with its receipt and review of the emergency operations plans of 17 key state entities and 35 counties, California has less assurance that these plans will effectively guide the entities in their responses. Further, Emergency Services is unable to ensure that relevant agency reorganization, new laws, experience with exercises, and actual disasters are augmenting the existing emergency plans of other state agencies and counties, because it has not tracked and reviewed updated plans.

Finally, we followed up on a recommendation we made in a previous report that Medical Services update its Disaster Medical Response Plan and Medical Mutual Aid Plan as soon as resources and priorities allow.[7] These plans had not been updated since 1992 and 1974, respectively. As of August 9, 2006, Medical Services informed us that it is updating the existing Disaster Medical Response Plan, with a medical mutual aid annex, and expects it to be completed by September 30, 2006.

GRANT MONITORING EFFORTS ARE EXPANDING

Generally, the State performs the four types of monitoring suggested by federal guidance.

Current efforts by the State to monitor subrecipients' use of homeland security and bioterrorism preparedness funds appear to comply with minimal requirements set by the federal government. Generally, the State performs the four types of monitoring suggested by federal guidance. However, only State Homeland Security examines subrecipients' use of federal grant funds during on-site reviews. Legislation enacted in July 2005 requires Health Services to begin auditing subrecipient cost reports by January 2007. Planning documents indicate that Health Services intends to perform these reviews on-site.

The federal government has not established extensive requirements related to the State's monitoring of subrecipients of federal grants for homeland security and bioterrorism preparedness. Circular A-133, issued by the U.S. Office of Management and Budget (OMB), requires recipients of federal grants, including California, to monitor subrecipients' use of federal grant funds. Specifically, OMB Circular A-133 requires the State to monitor the activities of subrecipients as necessary to ensure that federal awards are used for authorized purposes and that performance goals are met. It also requires California to ensure that any subrecipient spending more than $300,000 ($500,000 for fiscal years ending after December 31, 2003) in federal awards during the subrecipient's fiscal year submit an audit report. Although OMB Circular A-133 does not mandate the specific types of monitoring that California must perform, it does suggest that monitoring can occur through having regular contact with subrecipients and making appropriate inquiries concerning program activities (technical assistance), reviewing financial or performance reports submitted by subrecipients, or performing site visits to review financial and programmatic records and observe operations.

[7] *Emergency Preparedness: More Needs to Be Done to Improve California's Preparedness for Responding to Infectious Disease Emergencies*, 2004-133, August 2005.

One of the 10 grants we examined had more specific requirements. A component of the Cooperative Agreement for Public Health Preparedness and Response for Bioterrorism requires periodic on-site assessments of local planning efforts to receive, distribute, and dispense medicine and medical supplies in the event of large public health emergencies for 15 participating counties. Reviewers use an 11-page standardized assessment tool.

The State uses four methods to monitor subrecipients' use of federal grant funds for homeland security and bioterrorism preparedness: (1) providing technical assistance to subrecipients; (2) performing desk reviews of documents submitted by subrecipients; (3) requiring subrecipients to submit independent audit reports, as required by OMB Circular A-133; and (4) conducting on-site monitoring.

For each of the 10 grants in our review, the State used at least three of the four suggested methods of monitoring subrecipients.

For each of the 10 grants included in our review, the State performed the four types of monitoring—technical assistance, desk reviews, on-site reviews, and independent audits. However, only State Homeland Security performed on-site reviews that examined subrecipient's use of federal grant funds. From January 2006, when it started performing these on-site visits, to early July 2006, State Homeland Security had issued site visit reports for 13 of 128 subrecipients. During those visits State Homeland Security reviewed subrecipients' use of funds from the 2001 and 2002 State Domestic Preparedness Equipment Support Programs, the 2003 State Homeland Security Program, and the 2004 Homeland Security Grant Program. As noted in Appendix C, these four grants have either already closed or will close by November 30, 2006. When performing the on-site monitoring State Homeland Security used a 14-page review document to assess the subrecipients' performance.

Based on the results achieved by State Homeland Security during its reviews, we believe that on-site monitoring of subrecipients' use of federal grant funds has value. Of the 13 reviews issued as of early July 2006, 12 resulted in findings that required the subrecipients to submit corrective action plans to State Homeland Security. Among the findings reported by State Homeland Security, the following are the most significant:

- More than $427,000 in equipment not listed in property records.

- About $276,000 in unreconciled payroll costs.

- Nearly $116,000 in reimbursements for which no documentation was available.
- Nearly $77,600 in reimbursements for expenses that had not occurred.
- Approximately $33,900 in double-billed reimbursements.
- Nearly $14,500 in reimbursements for unauthorized equipment.
- $7,500 for unauthorized exercise activities.

State Homeland Security's on-site monitoring has identified instances of noncompliance.

Findings such as these show that some subrecipients did not always comply with applicable federal requirements and that on-site monitoring of subrecipients' use of federal funds can identify instances of noncompliance.

Subrecipients of bioterrorism preparedness funds can be subject to two types of on-site reviews. These reviews focus on programmatic rather than fiscal aspects of a subrecipient's operations. Since 2004 Health Services' staff has participated with the CDC in periodic site visits to 15 counties that receive funds from a component of the Cooperative Agreement for Public Health Preparedness and Response for Bioterrorism. These 15 counties were determined based on CDC's selection of major California cities that would receive these funds. During these visits, the review team examined local planning efforts to receive, distribute, and dispense medicine and medical supplies in the event of large public health emergencies. These reviews resulted in site visit reports, which in some cases included recommendations for improvement. As of August 2006 all 15 counties had been reviewed at least once and three had received at least one follow-up visit. According to the chief of Health Services' Emergency Pharmaceutical Services Unit, the department plans to follow up on each county's recommendations during the next periodic visit.

In April 2005 Health Services contracted with a vendor to assess local health departments' preparedness to respond to bioterrorism and other public health emergencies in which the local health department has the primary response role using a standardized 92-page review tool. These assessments were to examine progress by local health departments in achieving preparedness goals based on guidance for the Cooperative Agreement for Public Health Preparedness and Response for Bioterrorism and the Cooperative Agreement for the National Bioterrorism Hospital Preparedness Program. As of

August 2006 Health Services' vendor had submitted reports for 32 of the 54 local health departments scheduled to receive visits by November 2006. All 32 reports contained recommendations to help local health departments achieve the preparedness goals. Although Health Services did not provide us with any written policies concerning how it intended to follow up on the implementation of the recommendations, according to the chief of the Policy and Program Coordination Unit, Health Services will include implementation of the recommendations made by the local health department assessment teams in its review of applications submitted by local health departments for bioterrorism preparedness funds for fiscal year 2006–07.

In July 2005 the Legislature enacted Chapter 80, Statutes of 2005. This law requires Health Services to audit cost reports submitted by local health jurisdictions every three years beginning in January 2007 to determine compliance with federal requirements and consistency with local budgets. The law also states that these audits are contingent on the availability of federal funds for this activity and on the continuation of federal funding for bioterrorism preparedness. Although not required by the new law, planning documents indicate that Health Services intends to perform these reviews on site. A deputy director told us in August 2006 that Health Services plans to use retired annuitants for a short period to perform the reviews starting in January 2007. The deputy director also stated that Health Services had not received the three new positions planned for this activity and would need to seek the positions to sustain the effort on an ongoing basis. She also informed us that Health Services was still clarifying with the CDC whether it can use federal grant funds for this activity. According to the acting chief of the Financial Audits Branch within Health Services, he has already received several documents related to the reviews and can complete the planning process by September 30, 2006.

Health Services states it can complete its planning for on-site monitoring by September 30, 2006.

Finally, as part of our annual audit of the federal awards received by the State required by OMB Circular A-133, we also reported concerns about the State's efforts relating to its responsibilities for monitoring subrecipients' use of federal grants for homeland security. Specifically, in audit reports covering fiscal years 2003–04 and 2004–05,[8] we reported that Emergency Services did not ensure that it received and reviewed the OMB Circular A-133 audit reports of private nonprofit organizations. We also

[8] *State of California: Internal Control and State and Federal Compliance Audit Report for the Fiscal Year Ended June 30, 2004*, 2004-002, March 2005. *State of California: Internal Control and State and Federal Compliance Audit Report for the Fiscal Year Ended June 30, 2005*, 2005-002, April 2006.

observed that Emergency Services did not follow up on findings in OMB Circular A-133 audit reports of local government subrecipients provided to it by the State Controller's Office. We reported no subrecipient-monitoring findings regarding Health Services' administration of the Cooperative Agreement for Public Health Preparedness and Response for Bioterrorism. We did not audit this grant for fiscal year 2003–04 nor did we audit Health Services' administration of the Cooperative Agreement for the National Bioterrorism Hospital Preparedness Program for fiscal years 2003–04 and 2004–05.

In April 2005, according to Emergency Services, responsibility for monitoring subrecipients of federal homeland security grant funds was transferred to State Homeland Security. Documents provided by State Homeland Security show that it reviewed and cataloged OMB Circular A-133 audit reports originally received by Emergency Services. Further, State Homeland Security provided documentation that these OMB Circular A-133 audit reports go back as far as fiscal year 2001–02. State Homeland Security asserts that it found no audit findings related to homeland security grants.

THE STATE'S PREPAREDNESS STRUCTURE IS NEITHER STREAMLINED NOR WELL DEFINED

Although California's structure for responding to emergencies is established in state law and is very streamlined, its structure for preparing for emergency response is a labyrinth of complicated and ambiguous relationships among myriad entities. Emergency Services and State Homeland Security, as well as the numerous committees that provide advice or guidance to the three state entities that administer federal grants for homeland security and bioterrorism preparedness, are working within a framework of poorly delineated roles and responsibilities. If this status continues, the State's ability to respond to emergencies could be adversely affected.

Because Emergency Services is designated as the lead state agency for all aspects of emergency management, it is logical to conclude that Emergency Services is the lead state agency for preparedness.

As we mentioned in the Introduction, the state emergency plan specifies four phases of emergency management: preparedness, response, recovery, and mitigation. Additionally, the state emergency plan designates Emergency Services as the lead agency for all aspects of emergency management. It is therefore logical to conclude that Emergency Services is the lead state agency for preparedness. The federal government defines preparedness as the ability to plan, organize, equip, train, and

exercise homeland security personnel to perform their assigned missions. We describe these five elements of preparedness further in the Introduction.

California's structure for emergency response, the SEMS, is a straightforward system established in the California Government Code. Emergency responders and managers working within the State's emergency response framework and using mutual aid have well-defined points of contact within a hierarchy that they can go through to request additional resources. As discussed in the Introduction, according to the state emergency plan, emergency mutual aid response activities are generally conducted at the request and under the direction of the affected local government. Resource requests for response originate at the lowest level of government and are progressively forwarded to the next level until filled. For example, if an operational area is unable to provide the necessary requested assistance, it may contact the Emergency Services region and forward the request. Figure 2 on page 13 in the Introduction is a representation of the SEMS.

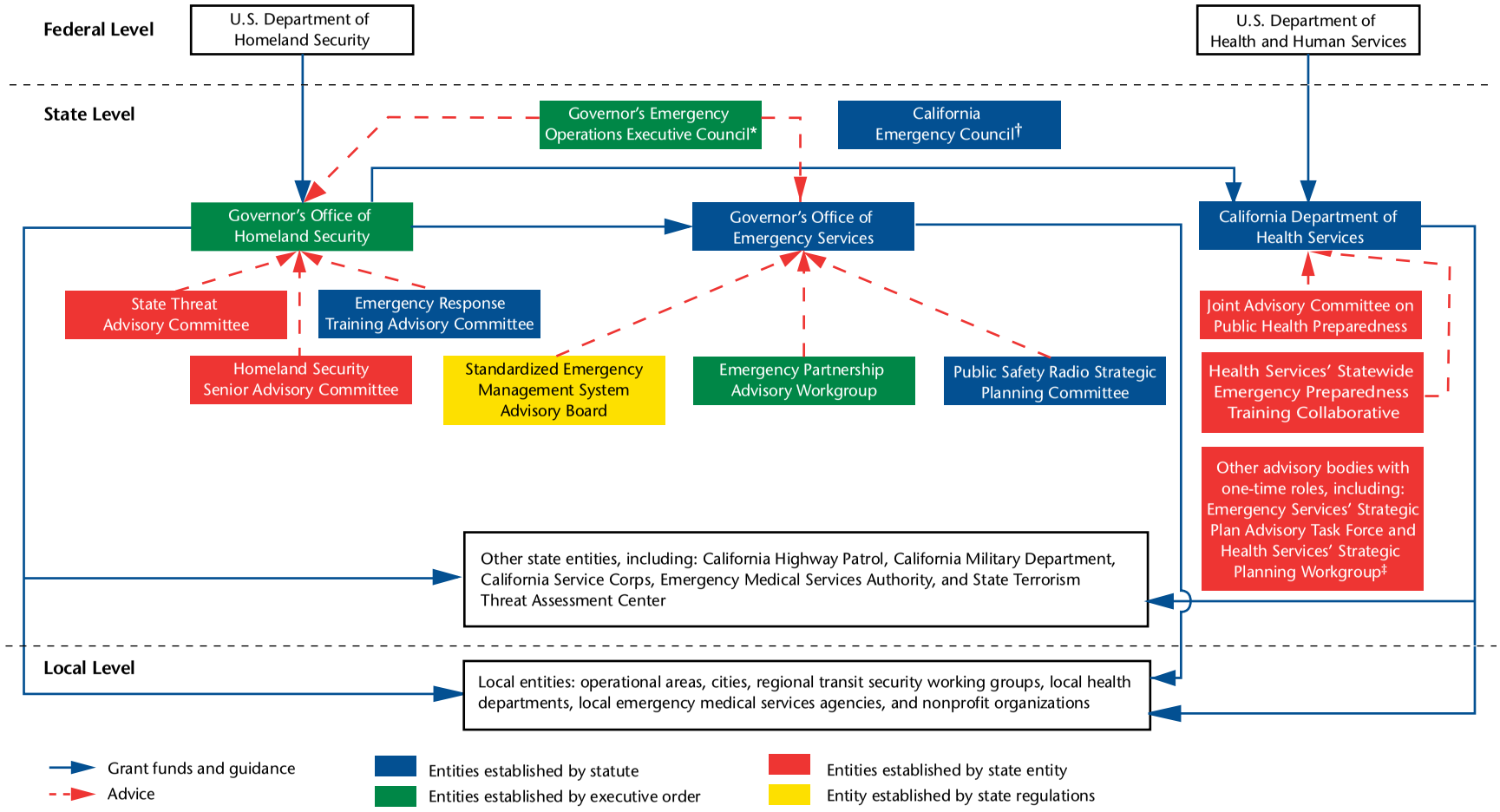
However, California's structure for preparing for emergency response is not nearly as straightforward. According to a deputy director at State Homeland Security, an organization chart that shows California's homeland security and bioterrorism preparedness administrative structure has not been created. Therefore, we created the chart shown in Figure 4 using information from various Web pages and documents obtained from key agencies. The three state agencies—Health Services, Emergency Services, and State Homeland Security—with which we shared a draft of this organization chart made no suggestions for revisions. Appendix B contains a brief summary of the roles of the entities shown in Figure 4 as well as other state and federal entities that are part of the State's administration of emergency preparedness funds.

According to a deputy director at Emergency Services, the California Emergency Council, established in law to advise the governor during emergencies and on matters related to emergency preparedness, has not met since 2002.

The figure illustrates the labyrinth of committees, advisory bodies, and state and local agencies that is California's preparedness organization. The roles and relationships of many of these entities are unclear or are not being consistently carried out. For example, one advisory body shown in Figure 4 currently appears to exist on paper only. Although the California Emergency Council was established in law to advise the governor during times of emergency and on matters pertaining to emergency preparedness, according to a deputy director at Emergency Services, it has not met since 2002.

FIGURE 4

California's Administration of Federal Grants for Homeland Security and Bioterrorism Preparedness, as of June 30, 2006


Federal Level
U.S. Department of Homeland Security
U.S. Department of Health and Human Services
State Level
Governor's Emergency Operations Executive Council*
California Emergency Council†
Governor's Office of Homeland Security
Governor's Office of Emergency Services
California Department of Health Services
State Threat Advisory Committee
Emergency Response Training Advisory Committee
Homeland Security Senior Advisory Committee
Standardized Emergency Management System Advisory Board
Emergency Partnership Advisory Workgroup
Public Safety Radio Strategic Planning Committee
Joint Advisory Committee on Public Health Preparedness
Health Services' Statewide Emergency Preparedness Training Collaborative
Other advisory bodies with one-time roles, including: Emergency Services' Strategic Plan Advisory Task Force and Health Services' Strategic Planning Workgroup‡
Other state entities, including: California Highway Patrol, California Military Department, California Service Corps, Emergency Medical Services Authority, and State Terrorism Threat Assessment Center
Local Level
Local entities: operational areas, cities, regional transit security working groups, local health departments, local emergency medical services agencies, and nonprofit organizations
Grant funds and guidance
Advice
Entities established by statute
Entities established by executive order
Entities established by state entity
Entity established by state regulations

Sources: Various Web pages and other documents obtained from, and interviews held with employees of the California Department of Health Services, the Governor's Office of Emergency Services (Emergency Services), and the Governor's Office of Homeland Security (State Homeland Security).

Note: The State Strategic Committee on Terrorism, created in 1999, was disbanded because it was unable to provide the comprehensive approach to homeland security envisioned in a 2001 executive order, according to the Legislative Analyst's Office.

* The Governor's Emergency Operations Executive Council, created by executive order in April 2006, has met once as of June 30, 2006, according to a deputy director of State Homeland Security.

† The California Emergency Council, established by statute, has not met since 2002 according to a deputy director of Emergency Services.

‡ Advice lines are not included for these bodies because they advise different entities and had a specific, one-time purpose.

Nevertheless, the State continues to consider creating more advisory bodies, thereby adding further complexity to the structure. The Governor's Emergency Operations Executive Council was established by an executive order in April 2006 to assess and provide necessary information to the governor, Legislature, local agencies, and the public on pending emergency conditions that threaten the public health and safety; identify the additional federal resources required to improve state prevention and response capabilities to deal with pending threats to public health and safety; and assist in the management of emergency preparedness, response, recovery, and mitigation efforts. However, according to a deputy director at State Homeland Security, as of June 30, 2006, this committee had met only once, and its relationship to the other major advisory bodies providing advice and guidance, shown on Figure 4, had not been determined. Further, an early version of an Assembly bill under consideration by the Legislature during the first half of 2006 called for the creation of a committee to advise Emergency Services, Health Services, and Medical Services on medical and health emergency preparedness issues. A later version of this bill deleted the requirement.

Prior reviews have addressed State Homeland Security's placement in California's organizational structure.

State Homeland Security's placement in California's organizational structure has been the subject of previous reviews. In an audit report published in July 2003, we noted that a lack of clarity in State Homeland Security's and Emergency Services' roles and responsibilities could adversely affect the State's ability to respond to emergencies, such as a terrorist event.[9] The Legislative Analyst's Office, in its *Analysis of the 2005–06 Budget Bill*, recommended that the Legislature authorize State Homeland Security and its specific terrorism-related duties in statute, stating that it could be difficult for State Homeland Security to prioritize and accomplish some of its activities. The *Analysis of the 2006–07 Budget Bill* by the Legislative Analyst's Office recommended that State Homeland Security be established as a division of Emergency Services, noting that "without specific duties, authorization, and powers, we found [that State Homeland Security] may experience difficulties in accomplishing its objectives." In an April 2006 report the Little Hoover Commission recommended that Emergency Services and State Homeland Security be consolidated into the Office of Emergency Services and Homeland Security. Further, in his testimony to the Little Hoover Commission in January 2006 for

[9] *Terrorism Readiness: The Office of Homeland Security, Governor's Office of Emergency Services, and California National Guard Need to Improve Their Readiness to Address Terrorism*, 2002-117, July 2003.

its report, the director of the Homeland Security Program for the RAND Corporation stated, "preparedness organizational structures should mirror, to the greatest extent possible, response structures."

It appears that the current structure for preparedness arose as the State reacted administratively to guidance from the federal government and created its own requirements to fill perceived needs. Not all the entities involved in homeland security and bioterrorism preparedness, including committees and agencies, are statutorily established. State Homeland Security and two advisory bodies were established by executive order, and several committees exist only at the pleasure of the departments they advise. Further, the relationships among the many advising committees for homeland security and bioterrorism preparedness are not established in statute. Therefore, the State finds itself with numerous committees, some composed of members from the same entities, with the potential for overlapping responsibilities.

Emergency response and the efficient and effective investment of federal grant funds may be affected by continuing ambiguity in the relationships among the numerous entities involved in preparedness.

Although a deputy director at Emergency Services indicated that the directors of State Homeland Security and Emergency Services have a standing commitment to meet regularly, we are concerned that the continuing ambiguity in the relationships among the numerous entities involved in the administration of grant funds for homeland security and bioterrorism preparedness could adversely affect emergency response and reduce the State's efficiency and effectiveness in investing federal grant funds. Examples of the concerns that can arise from the unduly complex structure are apparent in the areas of training and exercises, which are two of the five preparedness components we noted in the Introduction.

Existing legal authority meant to govern and guide the State's emergency training highlight the inherent ambiguity in the State's preparedness structure, especially with regard to State Homeland Security and Emergency Services. The California Government Code asserts that to ensure that the State's response to disasters or massive emergencies is effective, specialized training is necessary. Further, the state emergency plan states that Emergency Services is the lead state agency for all aspects of emergency management, including planning, response and recovery coordination, mitigation efforts, and training. In 1984 state law placed the California Specialized Training Institute (training institute) in Emergency Services to assist the governor in providing training to state agencies, cities, and counties in their planning and preparation for disasters. The training

institute's catalog lists courses related to all-hazards emergency management, tactical law enforcement, crisis communication, weapons of mass destruction/terrorism, and hazardous materials.

In February 2003 then-Governor Davis issued an executive order creating State Homeland Security and, among other things, assigning it responsibility for coordinating the activities of all state agencies pertaining to terrorism-related issues, including training. As such, State Homeland Security provided the California Military Department with funds to establish and enhance homeland security training and exercise programs. According to the California Military Department, through partnerships with federal, state, and local training providers, it will ensure the widest possible access to training concerning weapons of mass destruction for first responders throughout California, enhance the local delivery of training and exercises, and coordinate a comprehensive and inclusive statewide training strategy.

The chief of Emergency Services' Fire and Rescue Branch questioned State Homeland Security's inquiry into training that could be provided by an out-of-state university.

We believe that these competing legal authorities related to training may lead to duplicate and misguided efforts. A recent example occurred in May 2006. In this instance, the chief of Emergency Services' Fire and Rescue Branch (chief) questioned State Homeland Security's inquiry into urban search and rescue courses that could be provided to California's response personnel by an out-of-state university. The chief noted that although the programs offered by the university are approved for reimbursement with federal grant funds, many of them fail to meet current training standards in California as approved by State Fire Training and Emergency Services' Urban Search and Rescue Program Office. He also added that State Homeland Security has no statutory authority to engage in the provision of urban search and rescue training, whereas under state law Emergency Services and another state entity must coordinate this type of training.

A deputy director for State Homeland Security noted that it intended to have Emergency Services' urban search and rescue experts review the out-of-state university's training so that California could incorporate any best practices found by the experts into its own training. He also stated that because of a breakdown in communication, Emergency Services interpreted State Homeland Security's inquiry as a suggestion that first responders should actually be trained by the out-of-state university. He further indicated that State Homeland Security and Emergency Services held a meeting in response to the

letter and reiterated and clarified their unique roles and responsibilities in preparing first responders for natural disasters and acts of terrorism.

Emergency Services had a minimal role in the planning and design of the Golden Guardian 2005 exercise.

In another example of problematic coordination, Emergency Services had a minimal role in the planning and design of the Golden Guardian 2005 exercise. As mentioned earlier in the section related to statewide exercises, Emergency Services raised concerns about Golden Guardian 2005 in a February 2006 letter to State Homeland Security. In this letter the director of Emergency Services stated that State Homeland Security and Emergency Services have worked hard to build a partnership between the two agencies; however, in the case of Golden Guardian, he does not believe a true partnership occurred. The Emergency Services director added: "Given that [Emergency Services] has the longest deployed and most comprehensive all-hazards preparedness program in the nation, it is unfortunate that [its] expertise was excluded from the strategic decision-making process in the Golden Guardian exercise design, implementation, and after-action process." The three Emergency Services' staff on the Golden Guardian coordinating committee confirmed that, rather than being involved in the exercise design process, they acted as resources for the exercise planners and, for the most part, responded to requests for information.

Although we found no evidence to directly attribute the impediments to faster spending cited earlier in this chapter to California's overly complex preparedness structure, we believe that efforts to streamline and establish the structure in law will have positive impacts by clarifying ambiguous relationships and thus eliminating duplication of effort.

RECOMMENDATIONS

To better prepare the State for responding to terrorism events and other emergencies, state entities, including State Homeland Security and Emergency Services, should ensure that future exercises are as realistic as possible and sufficiently test the response capabilities of California's medical and health systems.

To identify steps that could be taken to help increase the pace of spending for federal homeland security grants, State Homeland Security should create a forum for local administrators to share both best practices and concerns with state administrators.

To reduce the amount of time necessary to reimburse local jurisdictions for their homeland security expenditures, State Homeland Security and Emergency Services should collaborate to identify steps they can take.

To ensure that emergency plans of key state entities and local governments are as up-to-date as possible, integrated into the State's response system, and periodically reviewed, Emergency Services should develop and implement a system to track its receipt and review of these plans.

To ensure that it can implement in January 2007 the provisions of Chapter 80, Statutes of 2005, related to auditing cost reports from subrecipients of federal bioterrorism preparedness funds, Health Services should complete its planning efforts.

To simplify and clarify California's structure for emergency response preparation, the following steps should be taken:

- The governor and the Legislature should consider streamlining the preparedness structure. For instance, they should consider establishing one state entity to be responsible for emergency preparedness, including preparedness for emergencies caused by terrorist acts.

- The Legislature should consider statutorily defining the preparedness structure in law.

- The Legislature should consider statutorily establishing State Homeland Security in law as either a stand-alone entity or a division within Emergency Services. Further, if it creates State Homeland Security as a stand-alone entity, the Legislature should consider statutorily defining the relationship between State Homeland Security and Emergency Services. ■

CHAPTER 2

Various Levels of Government Establish Spending Priorities and Calculate Allocation Amounts for Federal Homeland Security and Bioterrorism Preparedness Grants

CHAPTER SUMMARY

Our work concerning two other areas related to California's administration of federal grants for homeland security and bioterrorism preparedness—spending priorities and calculations of allocation amounts—revealed no significant issues. Entities at the federal, state, and local levels have various responsibilities for establishing priorities for spending federal grants issued by the U.S. Department of Homeland Security (Federal Homeland Security) and the U.S. Department of Health and Human Services. Typically, California's role is limited to forwarding federal guidance to subrecipients. The federal government establishes the broad parameters for what types of goods or services can be acquired, and subrecipients, such as local entities—for example, operational areas, counties, or cities—set the immediate spending priorities and use the federal funds to meet those priorities.

When calculating the amount of federal grant funds to allocate to a local entity, the State primarily considers that local entity's population. The most frequently used calculation method starts with a base amount to which California adds an amount derived from the local entity's population. In our review of 10 grants awarded from 2001 through 2005, we found that in most instances California determined the allocation amounts; the federal government determined the amounts in relatively few instances.

FEDERAL, STATE, AND LOCAL ENTITIES HAVE ROLES IN PRIORITIZING HOW FEDERAL GRANT FUNDS WILL BE SPENT

Entities at many levels of government, each with unique responsibilities, are involved in setting priorities for determining what goods or services will be acquired with federal grant

funds for improving bioterrorism preparedness and homeland security. The federal and local levels of government are most active in setting priorities. Although the federal government broadly defines the types of goods or services subrecipients can acquire, local entities are responsible for setting their immediate priorities and using the federal funds to meet local needs. The State's role generally is limited to passing on the federal guidance to local entities.

The federal and local levels of government are most active in setting spending priorities.

The federal government, in most instances, sets the broad guidelines for grant spending. For example, in the 2001 State Domestic Preparedness Equipment Support Program, the U.S. Department of Justice instructed local entities to use the grant funds to buy only equipment. Further, the U.S. Department of Justice provided a list of equipment categories from which local entities could select. The categories included personal protective equipment; chemical, biological, or radiological detection equipment; communications equipment; and decontamination equipment. Using this set of categories, local entities could select the types of equipment they wished to acquire—such as chemical-resistant suits, radiation monitoring equipment, or multichannel radios—based on local needs.

The spending categories set by the federal government have expanded over time. Federal Homeland Security prioritized spending of grant funds for homeland security by defining how the funds must be used. For example, in federal fiscal years 2000 and 2001 the federal government allowed only equipment purchases; in federal fiscal year 2002 it allowed equipment purchases, exercise expenses, and administrative expenses. By federal fiscal year 2005 the federal government allowed equipment purchases and expenses for exercises, planning, training, and administration.

Another example of the federal government's prioritizing of expenditures occurred as part of the Cooperative Agreement for Public Health Preparedness and Response for Bioterrorism, issued by the U.S. Department of Health and Human Services' Centers for Disease Control and Prevention (CDC). From 2001 through 2004 the CDC prioritized spending by defining the ways subrecipients must use the funds. The CDC established seven focus areas in which subrecipients could spend their funds:

- Preparedness Planning and Readiness Assessment
- Surveillance and Epidemiology Capacity

- Laboratory Capacity—Biologic Agents
- Laboratory Capacity—Chemical Agents
- Health Alert Network/Communications and Information Technology
- Communicating Health Risks and Health Information Dissemination
- Education and Training

Of the grants within the scope of this audit, the Emergency Management Performance Grants provide the State with the broadest priorities. These federal grants stipulate only that the State spend the funds for improving its mitigation, preparedness, response, and recovery capabilities.

At the local level, after being notified that grant funds are available and being given an estimate of their allocation amount, the entities decide what they wish to purchase: computer-aided dispatch systems or mobile command post vehicles under the equipment category; courses in emergency response to terrorism, weapons of mass destruction radiological/nuclear awareness, or weapons of mass destruction crime scene management for emergency responders under the training category; or full- or part-time staff, overtime, or supplies under the exercise category. A local entity bases its spending decisions on local needs.

Local entities base spending decisions on local needs.

Generally, the State transfers the federal guidance to local entities without additional restrictions. The California Department of Health Services (Health Services) passes to local entities the priorities (focus areas) established by the CDC for the Cooperative Agreement for Public Health Preparedness and Response for Bioterrorism. Also, after the CDC notifies the State about the availability of funding under the cooperative agreements, Health Services prepares an application and budget and submits it to the CDC for approval.

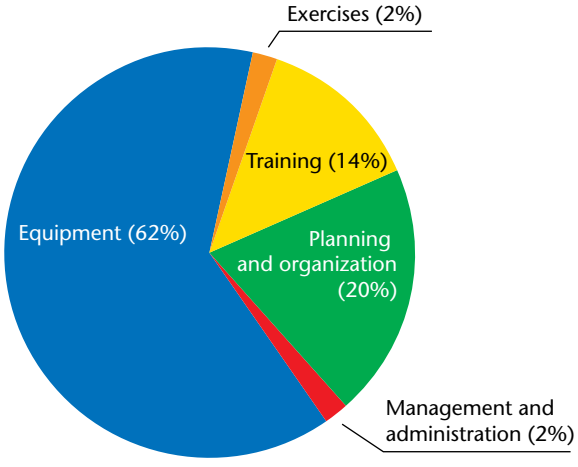
Health Services also provides the local entities with the priorities (critical benchmarks) established by the Health Resources and Services Administration (HRSA) for the Cooperative Agreement for the National Bioterrorism Hospital Preparedness Program. In 2003 and 2004 Health Services required certification from a representative of the local health jurisdiction, a hospital, a clinic, and the local emergency medical services agency that they had participated in a collaborative planning process and agreed to the application submitted by the local entity.

State Homeland Security and Emergency Services passed to local entities the priorities (spending areas) established by Federal Homeland Security for the homeland security grants. However, in collaboration with local entities, State Homeland Security and Emergency Services established a 20/20/20/40 split for allocating funds in the State Homeland Security Grant Program and the Law Enforcement Terrorism Prevention Program. This priority system established that each local entity's fire services, police services, and emergency medical services would each receive 20 percent, while other disciplines, such as public health or public works, would split the remaining 40 percent. Further, the local authorizing agency, made up of five officials, including the county public health officer and a municipal fire chief, can change these allocation percentages with a four-fifths vote.

Although the level of detail in State Homeland Security's accounting records did not allow us to identify the categories in which homeland security grant funds had been spent since 2001 (the federal government does not require State Homeland Security to maintain accounting records at that level of detail), other records enabled us to identify the categories in which subrecipients planned to spend their 2005 grant funds. As shown in Figure 5, subrecipients planned to spend 62 percent of the 2005 homeland security grant funds for equipment purchases, 20 percent for planning and organization, 14 percent for training, and 4 percent for exercises and management and administration.

FIGURE 5

Subrecipients' Planned Use of Federal Funds From the 2005 Homeland Security Grant Program

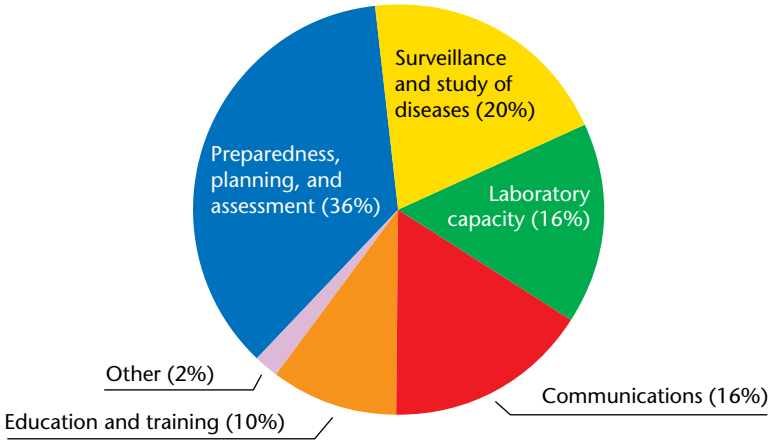


Sources: Grant management records obtained from the Governor's Office of Homeland Security.

Using its accounting records, we identified the categories in which Health Services spent or encumbered federal grant funds awarded by the CDC from August 31, 2001, through the 2004–05 award period as of June 30, 2006. As Figure 6 shows, Health Services spent or encumbered 36 percent for preparedness, planning, and assessment; 20 percent on surveillance and study of diseases; 16 percent for laboratory capacity; 16 percent for communications; 10 percent for education and training; and 2 percent for other purposes.

FIGURE 6

California Department of Health Services' Spending and Encumbrances of Grants Awarded by the Federal Centers for Disease Control and Prevention Award Periods August 31, 2001 to August 30, 2005 (as of June 30, 2006)

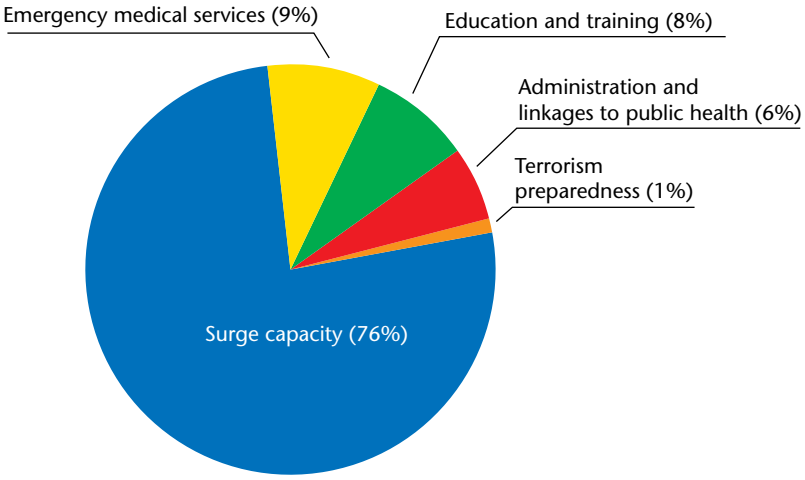


Sources: Accounting records obtained from the California Department of Health Services.

We also identified, as of June 30, 2006, the categories in which Health Services had spent or encumbered HRSA funds awarded since April 2002. Figure 7 on the following page shows that Health Services spent or encumbered 76 percent for surge capacity; 9 percent for emergency medical services; and the balance for education and training, administration and linkages to public health, and terrorism preparedness.

FIGURE 7

**California Department of Health Services' Spending and Encumbrances of Grants Awarded by the Federal Health Resources and Services Administration
Award Periods April 1, 2002 to August 31, 2006
(as of June 30, 2006)**


Emergency medical services (9%)
Education and training (8%)
Administration and linkages to public health (6%)
Terrorism preparedness (1%)
Surge capacity (76%)

Sources: Accounting records obtained from the California Department of Health Services.

POPULATION PLAYS A MAJOR ROLE IN DETERMINING AMOUNTS OF FEDERAL GRANTS TO ALLOCATE TO LOCAL ENTITIES

We identified five methods that California or the federal government used from 2001 through 2005 to determine the amounts of federal funds that local entities receive from homeland security or bioterrorism preparedness grants. The most frequently used method was a calculation using a base amount to which the State added an amount derived from each local entity's population. Most often the State determined the allocation amounts; the federal government determined the amounts in only a few instances.

Most often the formula used to calculate the amount awarded to a local entity receiving bioterrorism preparedness and homeland security grants consists of two factors: a constant base amount plus an amount derived from each local entity's population. An example of the use of this calculation method is the State Homeland Security Program component within the 2004 Homeland Security Grant Program. State Homeland Security calculated allocation amounts from this component for operational areas using a base of $100,000 plus an amount

derived from each operational area's population. The allocation amounts ranged from a low of about $103,500 for Alpine County to a high of $28.3 million for Los Angeles County.

State Homeland Security believes that population and population density are the best measures of risk on which to base grant allocations.

State Homeland Security believes that funds for its grants should be allocated based on risk and that the best measures of risk are population and population density. (The State's process for assessing the risk of terrorist threats involves other factors, as summarized in Appendix D.) Therefore, to ensure that local entities with small populations receive a sufficient share of the available funds, California decided to include a base amount that each local entity would receive. To determine the amount of the base, California consulted with representatives of the local entities. The federal government also uses this "base plus population" method in many instances to calculate allocation amounts for federal grants awarded to states.

The second method is simply a flat amount for each local entity. This method was used for only three grants. For example, in 2004 State Homeland Security awarded $2 million to each of the four Regional Terrorism Threat Assessment Centers as part of the Law Enforcement Terrorism Prevention Program component of the Homeland Security Grant Program. In 2005 State Homeland Security awarded $220,764 to each of the 18 cities Federal Homeland Security selected to receive Metropolitan Medical Response System funding.

Two of the three remaining methods were used only one time each. For the 2003 State Homeland Security Program, Part I, State Homeland Security calculated allocation amounts for two spending categories—exercises and planning and administration—based on a proportionate share of the local entities' populations. The allocation amounts ranged from a low of $305 for Alpine County to a high of approximately $2.5 million for Los Angeles County. According to an assistant deputy director, State Homeland Security used this allocation method because it had already included a base amount in the equipment allocation.

On the other hand, for the 2005 Homeland Security Grant Program, State Homeland Security, in coordination with review groups, rated funding requests from nonprofit organizations located in high-threat, high-density urban areas to acquire security enhancements. According to the request for proposals for this grant, State Homeland Security and the review groups would then rate each application proposal and determine which

nonprofit organizations would be awarded funds. The request for proposals identified several elements as criteria for the review groups to use when selecting the nonprofit entities to receive funding. The following are among the criteria identified:

- Threats from designated international terrorist organizations against the nonprofit entity's operators, users, or beneficiaries.
- Prior attacks by international terrorist organizations against the nonprofit organization.
- The role of the nonprofit organization in responding to international terrorist acts.
- Previously conducted threat and/or vulnerability assessments.
- Increased threats to specific sectors or areas.
- The extent to which the applicant describes any current security enhancements and physical target-hardening activities under way or contemplated.

State Homeland Security awarded a total of $5.1 million to 64 of the 112 nonprofit organizations that applied. The lowest amount allocated was $7,657, and 24 entities received the maximum of $100,000 each. According to the guidance for the 2005 Homeland Security Grant Program, Federal Homeland Security capped the allocation amount at $100,000 to maximize the number of nonprofit organizations receiving security enhancements. Federal Homeland Security required State Homeland Security to use this method.

For some grants the federal government determined allocation amounts based on threat assessments.

The federal government used the final method—threat based—to allocate funds for the Urban Areas Security Initiative (UASI) and the Rail and Transit Security Grant Program (rail and transit grant). For the UASI grant Federal Homeland Security determined allocation amounts for each urban area based on factors such as threat estimates, the presence of critical assets or infrastructure, population, and population density. For the rail and transit grant, Federal Homeland Security determined allocation amounts based on ridership, track miles, number of stations, and threat.

Of the 32 opportunities for allocations from the 10 federal grants in our scope, California calculated the allocation amounts in 26 instances (81 percent) and the federal government

determined the allocation amounts in the other six instances (19 percent). Nearly 29 percent of the amounts allocated to local entities were calculated by the federal government.

We conducted this review under the authority vested in the California State Auditor by Section 8543 et seq. of the California Government Code and according to generally accepted government auditing standards. We limited our review to those areas specified in the audit scope section of this report.

Respectfully submitted,

ELAINE M. HOWLE
State Auditor

Date: September 12, 2006

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APPENDIX A

Grants Included in Our Review

The federal government provides many grants for homeland security; bioterrorism preparedness; and emergency preparedness, response, recovery, and mitigation to state, local, and private entities. This audit focuses on activities funded through grants that met the following criteria:

- A purpose related directly to homeland security or bioterrorism preparedness.
- Inclusion of states as eligible recipients.
- Funding to California for award years 2001 through 2005 exceeding a total of $10 million.

Table A on the following page summarizes the objectives of the 10 grants that met our criteria.

TABLE A

Summary of Homeland Security and Bioterrorism Preparedness Grants Included in Our Audit

Grant Name	Grant Objective
Homeland Security Grants	
State Homeland Security Program*†	To provide funds to enhance the capability of state and local units of government to prevent, deter, respond to, and recover from incidents of terrorism involving the use of chemical, biological, radiological, nuclear, and explosive weapons and cyber attacks.
Urban Areas Security Initiative†	To enhance local emergency, prevention, and response agencies' ability to prepare for and respond to threats or incidents of terrorism involving weapons of mass destruction. Further, to enhance selected mass transit authorities' protection of critical infrastructure and emergency preparedness activities.
Law Enforcement Terrorism Prevention Program*†	To provide state and local law enforcement communities with funds to support the following prevention activities: information sharing to preempt terrorist attacks, target hardening to reduce vulnerability of selected high-value targets, recognition and mapping of potential or developing threats, interoperable communications, and interdiction of terrorists before they can execute a threat or apply intervention activities that prevent terrorists from executing a threat.
Emergency Management Performance Grants†	To assist the development, maintenance, and improvement of state and local emergency management capabilities, which are key components of a comprehensive national emergency management system for disasters and emergencies that may result from natural disasters or accidental or human-caused events. Further, to provide the support that state and local governments need to achieve measurable results in functional areas of emergency management.
Metropolitan Medical Response System†	To fund highly populated jurisdictions to develop plans, conduct training and exercises, and acquire pharmaceuticals and personal protective equipment. Further, to achieve the enhanced capability necessary to respond to a mass casualty event caused by a weapon of mass destruction with locally controlled and operated resources until significant external resources arrive.
Citizen Corps*†	To support and promote efforts to involve a wide range of volunteer groups in activities that enhance individual, community, and family preparedness and contribute to the strengthening of homeland security.
Rail and Transit Security Grant Program	To create a sustainable program for the protection of critical infrastructure from terrorism, especially explosives and unconventional threats that would result in major loss of life and severe disruption.
Buffer Zone Protection Plan	To provide funding for the planning, equipment, and management of protective actions, with the objective of protecting, securing, and reducing the vulnerabilities of identified critical infrastructure and key resource sites.
Bioterrorism Preparedness Grants	
Cooperative Agreement for Public Health Preparedness and Response for Bioterrorism	To upgrade and integrate state and local public health jurisdictions' preparedness for and response to terrorism and other public health emergencies with that of federal, state, local, and tribal governments, the private sector, and nongovernmental organizations.
Cooperative Agreement for the National Bioterrorism Hospital Preparedness Program	To enhance the ability of hospitals and health care systems to prepare for and respond to bioterrorism and other public health emergencies.

Sources: The Catalog of Federal Domestic Assistance and documents obtained from the U.S. Department of Health and Human Services.

* For 2004 the U.S. Department of Homeland Security consolidated these three grants into the Homeland Security Grant Program.

† For 2005 the U.S. Department of Homeland Security consolidated these six grants into the Homeland Security Grant Program.

APPENDIX B

Government Entities Involved in California's Administration of Federal Grants for Homeland Security and Bioterrorism Preparedness

Our audit work identified many federal, state, and local entities involved in emergency preparedness in some capacity. Some entities administer the grants, some are involved in emergency response, and others provide guidance and advice to the lead state entities. Table B summarizes the roles of key federal, state, and local entities and advisory bodies.

TABLE B

Entities Involved in California's Administration of Federal Grants for Homeland Security and Bioterrorism Preparedness

Entity	Role
Federal Government	
U.S. Department of Homeland Security (Federal Homeland Security)	Awards homeland security grants, including the State Homeland Security Program, the Urban Areas Security Initiative, and the Law Enforcement Terrorism Prevention Program, and creates homeland security grant guidance.
U.S. Department of Health and Human Services	Awards bioterrorism preparedness grants, including the Cooperative Agreement for Public Health Preparedness and Response for Bioterrorism (from the federal Centers for Disease Control and Prevention) and the Cooperative Agreement for the National Bioterrorism Hospital Preparedness Program (from the federal Health Resources and Services Administration), and creates bioterrorism preparedness grant guidance.
State of California	
California Department of Health Services (Health Services)	Established by statute, the state emergency plan designates Health Services as the lead state agency for responding to public health emergencies. It also coordinates the State's overall public health preparedness and response efforts and maintains California's public health emergency plans. During emergencies it shares a joint emergency operations center with the Emergency Medical Services Authority to coordinate public health and medical response activities. It also administers bioterrorism preparedness grant funds from the U.S. Department of Health and Human Services.

continued on the next page

Entity	Role
Governor's Office of Emergency Services (Emergency Services)	Established by statute, it is the State's lead agency for emergency management. It coordinates the State's response to major emergencies in support of local jurisdictions. When emergencies occur, it may activate its state operations center, along with any of its three regional emergency operations centers, to process local requests for assistance or additional resources. It prepares the State of California Emergency Plan (state emergency plan) to coordinate all phases of emergency management. It also administers Emergency Management Performance Grants and performs the accounting functions for homeland security grants.
Governor's Office of Homeland Security (State Homeland Security)	Established by executive order to serve as the lead state contact with Federal Homeland Security as well as the governor on matters pertaining to terrorism and state security and to develop and coordinate the implementation of a comprehensive state strategy to coordinate security activities. In this strategy State Homeland Security indicated that it used federal funds to create a State Terrorism Threat Assessment Center, which is a partnership of State Homeland Security, the California Department of Justice, and the California Highway Patrol, with representation from numerous other allied state and federal agencies. State Homeland Security also currently administers six of the eight homeland security grants that we examined.
Emergency Medical Services Authority (Medical Services)	Established by statute, the state emergency plan designates Medical Services as the lead state agency for medical response in emergencies. It also receives a portion of the State's bioterrorism preparedness funds to address critical benchmarks set by the federal government as well as homeland security funds to participate in the State Terrorism Threat Assessment Center and to purchase personal protective equipment for ambulance personnel.
California Military Department (Military Department)	Established by statute, the state emergency plan identifies the Military Department as playing a supporting role in many aspects of emergency response. It is also State Homeland Security's manager for coordinating first-responder training and exercises and receives homeland security funds to assess the vulnerability of and harden critical infrastructure.
California Service Corps	Established by executive order, it administers and is designated as the lead state agency to institute the Citizen Corps in California's communities. It is required to ensure the coordination of volunteer activities related to disaster response and recovery, including necessary training, equipment, and transportation provisions.
Terrorism threat assessment centers (state and regional)	The State Terrorism Threat Assessment Center is a partnership of the California Department of Justice, California Highway Patrol, and State Homeland Security, with representation from numerous other allied state and federal agencies. It provides statewide assessment products, information tracking and pattern analysis, and a connection with the latest national information from the Federal Bureau of Investigation, Federal Homeland Security, and other federal agencies. California has also established four regional terrorism threat assessment centers.
Key state response agencies	In written guidance for California's implementation of the national incident management system, Emergency Services identifies 19 key state agencies, not including itself, with emergency responsibilities as outlined in the state emergency plan. The 19 agencies include Health Services, Medical Services, the Military Department, and the California Highway Patrol.
California Specialized Training Institute (CSTI)	According to statute, it has the responsibility to assist the governor in providing training to state agencies, cities, and counties in their planning and preparation for disasters. CSTI is not included on the organizational chart in Chapter 1 (Figure 4) because it is part of Emergency Services. According to Emergency Services, CSTI develops and delivers all-hazards training, including emergency management, law enforcement tactics, crisis communication, and terrorism awareness.

Entity	Role
Governor's Emergency Operations Executive Council	Established by executive order, it serves to assess and provide information to the governor, Legislature, local agencies, and the public on pending emergency conditions that threaten the public health and safety, develop a consolidated set of budget, legislative, and administrative actions, along with identification of additional federal resources to improve state prevention and response capabilities to deal with pending threats to public health and safety, and assist in the management of emergency preparedness, response, recovery, and mitigation efforts. It is to be convened by the directors of Emergency Services and State Homeland Security periodically, but no less than quarterly, and includes executives from other state agencies. According to a deputy director at State Homeland Security, as of June 30, 2006, it had met only once.
California Emergency Council	Established by statute, it is generally composed of state executives, local representatives, and a member from the American National Red Cross to advise the governor about matters pertaining to emergency preparedness and during times of emergency. According to a deputy director of Emergency Services, it has not met since 2002.
State Threat Advisory Committee	Established by Emergency Services, it provides assessments of information regarding potential impacts from specific terrorist threats or events and develops information advisements and action recommendations to the Governor's Office, through State Homeland Security. The committee, which is convened on an ad hoc basis by the director of State Homeland Security, is composed of key state and federal representatives.
Homeland Security Senior Advisory Committee	Established by State Homeland Security to fulfill a federal requirement, it comprises government staff and representatives of statewide first-responder and emergency management groups in California. It examines the grant structure on the macro level and acts as an advisory committee to State Homeland Security. According to a deputy director at State Homeland Security, its predecessor met yearly to make recommendations for changes, if needed, but the current committee met for the first time on June 20, 2006.
Emergency Response Training Advisory Committee	Established by statute, it recommends the criteria for terrorism awareness curriculum content to meet the training needs of state and local emergency response personnel and volunteers. Generally, it comprises state executives and representatives from first-responder associations.
Standardized Emergency Management System (SEMS) Advisory Board	Established in regulation, its primary purpose is to give advice and recommendations to the director of Emergency Services in the administration of the SEMS regulations and to assist the director of Emergency Services in maintaining and operating SEMS. It consists of representatives from the Federal Emergency Management Agency and state agencies, including State Homeland Security and the Military Department.
Emergency Partnership Advisory Workgroup	Established by executive order, it is composed of members selected by the director of Emergency Services, with at least seven nonprofit and private-sector representatives who are involved in preparing their communities for disasters. It assists Emergency Services' director in securing agreements between affected state agencies and the nonprofit and private-sector resources necessary to respond to threatened or actual emergency situations.
Public Safety Radio Strategic Planning Committee	Established by statute, it continues an effort under way since the mid-1990s to develop and implement an integrated statewide public safety communications system. The committee consists of representatives of more than a dozen state agencies, including State Homeland Security, Emergency Services, and Health Services. In its 2006 report to the Legislature, the committee noted that it would work with State Homeland Security and Health Services to identify federal funding sources to assist California to modernize and operate its communications systems.

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Entity	Role
Joint Advisory Committee on Public Health Preparedness	Established by Health Services in compliance with a federal requirement that bioterrorism preparedness grant administrators be advised by a broadly based group of stakeholders on the use of bioterrorism grant funds. It also serves as the federally required pandemic influenza coordinating council. It is composed of representatives of health care providers, local health departments, fire and police, and other state emergency response agencies; the American Red Cross and other community groups; as well as State Homeland Security and Emergency Services. According to Health Services, it also served as the working group required by an executive order to recommend a program to ensure that local health facilities have surge capacity plans that achieve federal benchmarks and that they participate in conducting exercises and training to prepare for natural and human-caused disasters.
Health Services' Statewide Emergency Preparedness Training Collaborative	Established by Health Services, it is creating a statewide public health emergency training plan for public health and health care professionals to strengthen emergency preparedness and response capacity in California and to ensure that California has a cadre of trained health professionals. It is generally composed of members from universities, local health departments, public health institutions, hospitals, and state agencies.
Emergency Services' Strategic Plan Advisory Task Force	Established by Emergency Services to provide guidance and input during the formation of the Statewide Emergency Management Strategic Plan. It is composed of representatives from federal, state, and local agencies, including the Federal Emergency Management Agency and three county offices of emergency services.
Health Services' Strategic Planning Workgroup	Established by Health Services in February 2005, the workgroup completed its deliberations in December 2005, and its report of recommendations for Health Services' Strategic Plan is undergoing management review, although no formal release date has been set, according to Health Services. The strategic plan is expected to identify priorities for future public health and medical care emergency preparedness activities. The workgroup is composed of stakeholders including representatives from State Homeland Security, Emergency Services, and Medical Services; local health departments; and providers representing medical, hospital, managed care, and clinic organizations.
State Strategic Committee on Terrorism	In 1999 Emergency Services joined with federal, state, and local agencies to establish this committee to plan for and develop programs to address terrorist threats. Additionally, a 2001 executive order directed the committee to evaluate potential terrorist threats, review the State's readiness to prevent and respond to terrorist threats, and develop recommendations for the prevention of and response to terrorist attacks. According to the Legislative Analyst's Office, it was eventually disbanded because it was unable to provide the comprehensive approach to homeland security that was envisioned by the 2001 executive order.
Local Government	
Operational areas	Provide coordination and communication between local jurisdictions and Emergency Services' regional offices, as necessary; develop and maintain local emergency plans; and administer homeland security funds locally.
Cities	Operate formal multiagency emergency operations centers; have the responsibility for the protection of the health, safety, and property of their residents; and develop and maintain local emergency plans. Some cities also administer homeland security funds locally.

Entity	Role
Regional transit security working groups	As part of the Regional Transit Security Strategy, develop regional security solutions across jurisdictions and systems operators to address critical needs in the urban areas they serve. They also determine the allocation of the Rail and Transit Security Grant Program funds within their urban areas.
Local health departments	Responsible for developing plans and procedures for general public health emergency response, as well as subject specific plans. They are first-responders for local public health emergencies and receive bioterrorism preparedness funds.
Local emergency medical services agencies	Responsible for planning, implementing, and evaluating an emergency medical services system based on public and private agreements and operational procedures. They are also first-responders for local public health emergencies and receive bioterrorism preparedness funds.
Nonprofit organizations	Receive homeland security grant funds for security enhancements.

Sources: Various Web pages and other documents obtained from, and interviews held with employees of the California Department of Health Services, the Governor's Office of Emergency Services, and the Governor's Office of Homeland Security.

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APPENDIX C

Federal Funds Awarded to California for Homeland Security and Bioterrorism Preparedness

Table C on the following pages lists the federal grants awarded to the State by three federal entities from 2001 through 2005. The Governor's Office of Homeland Security and the Governor's Office of Emergency Services administered grants from the U.S. Department of Homeland Security, while the California Department of Health Services administered grants from the U.S. Health Resources and Services Administration and the federal Centers for Disease Control and Prevention. Table C also identifies the amounts from these grants that the State had spent, encumbered, and has yet to obligate as of June 30, 2006.

TABLE C

Status of Federal Grant Awards for Homeland Security and Bioterrorism Preparedness as of June 30, 2006 (Dollars in Thousands)

Grant Name	Award Period	Award Amount	Amount Spent	Amount Encumbered	Other Amounts	Unobligated Balance
Homeland Security Grants (U.S. Department of Homeland Security)						
2001 State Domestic Preparedness Equipment Support Program	July 1, 2002–June 30, 2006	$ 14,833	$ 14,827	—	—	$ 6[a]
2002 State Domestic Preparedness Equipment Support Program	August 1, 2002–July 31, 2006	24,831	24,537	—	—	294[b]
2003 State Homeland Security Program, Part I	April 1, 2003–September 30, 2006	45,023	40,747	$ 3,966	—	310
2003 State Homeland Security Program, Part II	May 1, 2003–October 31, 2006	119,256	98,552	20,561	—	143
2004 Homeland Security Grant Program[c]	December 1, 2003–November 30, 2006	175,457	84,642	94,929	—	(4,114)[d]
2005 Homeland Security Grant Program[e]	October 1, 2004–March 31, 2007	282,622	20,642	234,453	—	27,527[f]
2002 Emergency Management Performance Grants	October 1, 2001–September 30, 2003	10,600	10,064	4	$532[g]	—
2003 Emergency Management Performance Grants	October 1, 2002–March 31, 2005	13,350	12,351	—	—	999[h]
2004 Emergency Management Performance Grants[e]	October 1, 2003–September 30, 2004	13,942	14,138	19	—	(215)[i]
2006 Emergency Management Performance Grants	October 1, 2005–September 30, 2007	14,094	553	7,531	—	6,010
2002 Citizen Corps	December 5, 2002–December 4, 2004	1,672	1,432	—	—	240[j]
2003 Citizen Corps[c,e]	August 1, 2003–January 31, 2005	1,495	1,599	—	—	(104)[j]
2003 Urban Areas Security Initiative	July 1, 2003–December 31, 2006	62,202	33,613	28,589	—	—

Grant Name	Award Period	Award Amount	Amount Spent	Amount Encumbered	Other Amounts	Unobligated Balance
2004 Urban Areas Security Initiative[e]	December 1, 2003–November 30, 2006	141,673	46,673	95,000	—	—
2005 Buffer Zone Protection Plan	April 1, 2005–March 31, 2007	12,950	—	8,270	—	4,680[k]
2005 Rail and Transit Security Grant Program	July 1, 2005–December 31, 2007	19,792	—	19,198	—	594[l]
	Subtotals	**953,792**	**404,370**	**512,520**	**532**	**36,370**
			42.4%	**53.7%**	**0.1%**	**3.8%**
Cooperative Agreement for Public Health Preparedness and Response for Bioterrorism (Federal Centers for Disease Control and Preparedness)						
	August 31, 2001–August 30, 2003	$ 62,166[m]	$ 59,777	—	—	—[n]
	August 31, 2003–August 30, 2004	70,102	61,342	—	—	$ 1,497[n,o]
	August 31, 2004–August 30, 2005[p]	59,168	68,064	$ 406	—	350[n]
	August 31, 2005–August 30, 2006[p]	67,437[q]	41,399	9,279	—	16,759
	Subtotals	**258,873**	**230,582**	**9,685**	**—**	**18,606**
			89.1%	**3.7%**	**0.0%**	**7.2%**
Cooperative Agreement for the National Bioterrorism Hospital Preparedness Program (U.S. Health Resources and Services Administration)						
	April 1, 2002–August 31, 2003	9,963	9,001	—	—	—[r]
	September 1, 2003–August 31, 2005	38,900	36,871	2,266	—	725[o]
	September 1, 2004–August 31, 2006	38,974	19,265	16,016	—	3,693
	September 1, 2005–August 31, 2006	39,203	6,707	17,889	—	14,607
	Subtotals	**127,040**	**71,844**	**36,171**	**—**	**19,025**
			56.5%	**28.5%**	**0.0%**	**15.0%**
	Totals	**$1,339,705**	**$706,796**	**$558,376**	**$532**	**$74,001**
			52.8%	**41.7%**	**0.0%**	**5.5%**

continued on the next page

Sources: Accounting and other records from the California Department of Health Services (Health Services), Governor's Office of Emergency Services (Emergency Services), and the Governor's Office of Homeland Security (State Homeland Security).

[a] In May 2006 the federal government denied a request by the State Homeland Security to extend the performance period for this grant. As of June 30, 2006, this remaining $6,000 remained unspent and unobligated.

[b] In May 2006 the federal government denied State Homeland Security's request to extend the performance period for this grant. As of June 30, 2006, this remaining $294,000 remained unspent and unobligated.

[c] For 2004 the federal government consolidated the State Homeland Security Program with the Citizen Corps and the Law Enforcement Terrorism Prevention Program into a single grant titled the Homeland Security Grant Program.

[d] State Homeland Security did not provide information to explain how the overdisbursement occurred. However, an assistant deputy director told us that State Homeland Security will review the accounting entries to determine the nature of the error and how to appropriately resolve it.

[e] For 2005 the federal government consolidated the State Homeland Security Program, the Law Enforcement Terrorism Prevention Program, the Citizen Corps, the Emergency Management Performance Grants, the Urban Areas Security Initiative, and the Metropolitan Medical Response System into a single grant titled the Homeland Security Grant Program.

[f] According to an assistant deputy director, all of the approximately $27.5 million is committed to projects that have been approved by Federal Homeland Security. These projects include: the Training and Exercise Program at State Homeland Security, support for the State Terrorism Threat Assessment Center and the regional terrorism threat assessment centers, management and administration of the grants (State Homeland Security's state operations budget), and a statewide preparedness campaign for Emergency Services.

[g] Emergency Services did not have sufficient accounting records to support the $532,000.

[h] According to records at Emergency Services, costs came in under budget by $679,000 for state operations and $320,000 for local assistance. However, this could not be substantiated because Emergency Services has not closed out the 2003 grant year.

[i] According to Emergency Services, it will correct federal cost overruns to the State's General Fund. However, this could not be substantiated because Emergency Services has not closed out the 2004 grant year.

[j] As of June 30, 2006, the remaining $136,000 from these two award periods remained unspent and unobligated.

[k] Records from State Homeland Security show that this amount includes approximately $4.3 million in local assistance and $389,000 in state management and administration. According to an assistant deputy director, all plans and allocations related to the $4.3 million were submitted to Federal Homeland Security in a timely fashion consistent with the requirements from the federal department. However, Federal Homeland Security has not approved the plans related to the $4.3 million. Therefore, Federal Homeland Security's delay in providing final approval to release these funds has caused them to remain unobligated for longer than State Homeland Security originally intended.

[l] Records from State Homeland Security show that this amount is for state management and administration.

[m] The award amount for August 31, 2001 through August 30, 2003, includes $944,000 carried forward from the two previous periods that are not included on the table.

[n] Health Services carried forward to the August 31, 2004 through August 30, 2005, award period balances of $2.4 million from the August 31, 2001 through August 30, 2003, award period and $5.1 million from the August 31, 2003 through August 30, 2004 award period.

[o] Health Services did not provide any information to explain the final disposition of unused funds from these grants that had expired before June 30, 2006.

[p] An undetermined portion of the amounts shown as spent may not yet have been spent by local jurisdictions. By law, Health Services issues periodic advances to subrecipients of the two component grants for bioterrorism preparedness. Health Services records these advances as expenditures in its accounting system. For the Cooperative Agreement for Public Health Preparedness and Response for Bioterrorism, Health Services does not adjust amounts of subsequent advances based on the amounts that subrecipients report spending from prior advances. Therefore, some subrecipients maintain balances of unspent federal funds. In a prior audit report (*State of California: Internal Control and State and Federal Compliance Audit Report for the Fiscal Year Ended June 30, 2005*, 2005-002, April 2006), we noted that Health Services' records indicated that subrecipients reported they had unspent funds totaling more than $5.8 million for fiscal year 2004–05.

[q] In March 2006 the federal government awarded California $6.7 million to support pandemic influenza preparedness and response.

[r] Health Services carried forward the remaining balance of $962,000 to the September 1, 2003 though August 31, 2005, award period.

APPENDIX D

The Process California Uses for Assessing the Risk of Terrorist Threats It Receives

According to a deputy director at the Governor's Office of Homeland Security (State Homeland Security), the U.S. Department of Homeland Security (Federal Homeland Security) has a system of assessing risk in terms of three components: consequences, vulnerability, and threat. The commander of one of California's four regional terrorism threat assessment centers told us that the State uses this methodology to assess the risk of terrorist threats. According to Federal Homeland Security, *consequence* is the impact of an attack occurring, *vulnerability* is the likelihood that an attacker would succeed, and *threat* is the likelihood that a type of attack might be attempted.

A 2005 report issued by the RAND Corporation defined a measure for each of the three components:

- **Consequence**—"the expected magnitude of damage (e.g., deaths, injuries, or property damage), given an attack of a specific type, at a specific time, that results in damage to a specific target."

- **Vulnerability**—"the probability that damages (which may involve fatalities, injuries, property damage, or other consequences) will occur given an attack of a specific type, at a specific time, on a given target."

- **Threat**—"the probability that a specific target is attacked in a specific way during a specified time period."

When assessments of vulnerability and threat produce similar results, risk would increase as the importance of consequence rises. For example, if the State receives two threats to a sports arena, it might determine for both cases that vulnerability and threat are similar. However, if the first threat mentions that it will be carried out at 3 a.m.—when the building likely has few people in it—while the other threat mentions that it will occur during an event with a large attendance, then risk for the latter

event would be higher because of the difference in consequence. Therefore, local authorities can adjust their response based on the risk associated with each threat.

Agency's comments provided as text only.

Department of Health Services
1501 Capitol Avenue, Suite 6001
Sacramento, California 95899-7413

Elaine Howle*
State Auditor
Bureau of State Audits
555 Capitol Mall, Suite 300
Sacramento, CA 95614-6404

Dear Ms. Howle:

Enclosed is the California Department of Health Services' (CDHS) response to the recommendations contained in the Bureau of State Audits' (BSA) draft report entitled, "Emergency Preparedness: California's Administration of Federal Grants for Homeland Security and Bioterrorism Preparedness Is Hampered by Inefficiencies and Ambiguity." The CDHS appreciates the opportunity to provide the BSA with this response.

Should you have any questions, please contact Betsey Lyman, Deputy Director, Public Health Emergency Preparedness, at (916) 440-7400.

Sincerely,

(Signed by: Sandra Shewry)

Sandra Shewry
Director

* California State Auditor's comment appears on page 77.

CDHS Response and Comments to the BSA's Draft Report Entitled, "Emergency Preparedness: California's Administration of Federal Grants for Homeland Security and Bioterrorism Preparedness is Hampered by Inefficiencies and Ambiguity"

The California Department of Health Services (CDHS) appreciates the opportunity to review and respond to the draft report of the audit on Emergency Preparedness.

The CDHS is the lead state entity in responding to public health emergencies, responsible for planning and organizing statewide preparedness for bioterrorism and other public health events. California is more prepared today for a public health emergency than it has ever been. Emergency preparedness - including preparedness for acts of bioterrorism - is a top priority of CDHS. CDHS works closely with its partners at the federal, state, and local levels in a continuous process to build and improve California's capacity to detect, respond, and recover from natural hazards and bioterrorism events. In that regard, CDHS is continuously examining how to strengthen California's preparedness to respond to public health emergencies.

Recommendation

To ensure that it can implement in January 2007 the provisions of Chapter 80, Statutes of 2005, related to auditing cost reports from subrecipients of federal bioterrorism preparedness funds, Health Services should complete its planning efforts.

CDHS agrees with the recommendation and is on track with planning efforts to implement auditing cost reports from subrecipients of federal bioterrorism preparedness funds in January 2007. These audits will augment program and fiscal reviews of local public health emergency preparedness that CDHS currently performs, thereby strengthening its monitoring of subrecipients.

Other Comments

In Table C, footnote lllll states that $6.7 in Phase I Supplemental Pandemic Influenza funds were available as of March 2006. However, 80 percent of these funds were not available until CDC released them on May 12, 2006. These funds represent a significant portion of the unobligated balance shown under the CDC Cooperative Agreement as of June 30, 2006.

COMMENTS

California State Auditor's Comments on the Response From the California Department of Health Services

To provide clarity and perspective, we are commenting on the response from the California Department of Health Services (Health Services). The number below corresponds to the number we have placed in the margin of Health Services' response.

● Health Services misquotes our report. The footnote to which Health Services refers on page 72 states, "In March 2006 the federal government **awarded** [emphasis added] California $6.7 million to support pandemic influenza preparedness and response." We do not state nor even imply that these funds were available as of March 2006.

Further, during the final reviews of our report draft, we changed the numbering of the footnotes. The footnote to which Health Services refers above is actually 'q'.

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Agency's comments provided as text only.

Governor's Office of Emergency Services
Office of the Director
3650 Schriever Avenue
Mather, California 95655

Ms. Elaine M. Howle, State Auditor*
Bureau of State Audits
555 Capitol Mall, Suite 300
Sacramento, California 95814

Dear Ms. Howle:

Thank you for this opportunity to comment on your draft audit report, "Emergency Preparedness: California's Administration of Federal Grants for Homeland Security and Bioterrorism Preparedness Is Hampered by Inefficiencies and Ambiguity." We believe you conducted a conscientious analysis and many of your recommendations are in areas where we are currently taking action.

We do not believe your analysis supports the inference in the title of your report that emergency preparedness is somehow hampered by grant administration. The report does not consider the operational practices, capabilities, or experience of the state's emergency management system, and its myriad component parts to make the leap between grant administration and adequacy of emergency preparedness.

Regarding the four recommendations specific to OES:

- To better prepare the State's response to terrorism events and other emergencies, state entities including State Homeland Security and Emergency Services should ensure that future exercises sufficiently test the responsibilities of California's medical and health systems.

There are a number of areas, including medical and health, which would benefit from stress testing in a disaster exercise. Many of these areas are currently being tested in local government disaster exercises facilitated by OES. We do not see the lack of a statewide stress of the medical and health system, at this point, as being affected by grant administration (the subject of this audit). Stressing of the medical and health systems will certainly be the focus of future statewide exercises, like Golden Guardian, which is currently the responsibility of the Office of Homeland Security (OHS).

- To reduce the amount of time necessary to reimburse local entities for their homeland security expenditures, State Homeland Security and Emergency Services should collaborate to identify steps they can take.

* California State Auditor's comments begin on page 83.

The goal of OES is to process all grant payments in a timely manner, as it is also undoubtedly for OHS. As your report indicates, "it appears unlikely that the State's current reimbursement process – 7-10.5 weeks - contributes significantly to the inability" of local or state agencies to spend federal grants. Of this time frame, OES processing of the payments only constitutes approximately one week.

- To ensure that emergency plans for other key state entities and local governments are as up-to-date as possible and integrated into the State's response System, Emergency Services should develop and implement a system to track its review of these plans.

One lesson learned from Hurricane Katrina, where local and state government had relatively recently updated their emergency plans, was that plans are not the key to success during disaster. We do not discount the relevancy of plans and procedures to document the tactical actions of local and state agencies, but our emphasis for several years has been on the development of management and information systems, like the Standardized Emergency Management System (SEMS), that will ensure timely and effective application of emergency resources. SEMS is now, in a post-Katrina disaster preparedness environment, being promulgated as the model for the nation.

Further, "a system to track" the review of plans does not ensure that plans are adequately developed by local government or reviewed by the state. OES has provided plan development guidelines and planning templates to assist local government planning efforts. And, we will continue to work with local and state agencies to enhance and revise their plans as resources are available. Recently, local governments and state agencies have focused their emergency preparedness resources on areas such as procuring necessary equipment for first responders; command and control; the requirements for special needs populations impacted by disasters; community notifications system; continuity of operations; and, a myriad of other issues based upon their assessments of local risks and needs. There is no indication that this focus has had a negative impact on emergency preparedness.

OES, however, has initiated the development of a system to better track state and local government emergency plans. We anticipate this system being on-line within the next year. As the report indicates, however, the responsibility for local government emergency plans rests with local government, who prioritize plan reviews and revisions consistent with their local needs.

- The Governor and Legislature should consider streamlining the preparedness structure. For instance, they should consider establish one state entity to be responsible for emergency preparedness, including preparedness for emergency caused by terrorist attacks.

Considering options for improving government delivery of services, including emergency services, is important. This is why the Governor created the Governor's Emergency Operations Executive Council in April to ensure both the emergency preparedness and response activities of state agencies are well coordinated at the cabinet level. Combining emergency preparedness elements, now housed in separate state agencies, merits review; if a consolidation can be accomplished without requiring the need for duplication of resources, complex additional layers of bureaucracy, and without the loss of technical expertise that is now available in specialized agencies like Health Services and departments like the Department of Fish and Game, to give two examples.

- The Legislature should consider statutorily defining the preparedness structure in state law.

The emergency preparedness structure of the state is defined in the State Emergency Plan, which is adopted by the California Emergency Council. Further, as noted in the report, the Governor and the Legislature are working together to create a more viable Emergency Council. The new Council will have broader participation and function in an oversight role to ensure that the state's emergency preparedness efforts are well coordinated and focused on any gaps in our emergency services system.

- The Legislature should consider statutorily establishing State Homeland Security in law, as either a stand-alone entity or a division with Emergency Services. Further, if it creates State Homeland Security as a stand-alone entity, the Legislature should consider statutorily defining the relations between State Homeland Security and Emergency Services.

The Administration has been working with the Legislature to address this concern. As mentioned above, the enhancement of the Emergency Council as an oversight body will improve overall coordination of emergency preparedness. Also, as directed by the Legislature and approved by the Governor, the OES has initiated an independent "gap analysis" to determine areas where California's emergency services system can be improved.

I hope our thoughts on your recommendations are helpful.

Sincerely,

(Signed by: Henry R. Renteria)

HENRY R. RENTERIA
Director

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COMMENTS

California State Auditor's Comments on the Response From the Governor's Office of Emergency Services

To provide clarity and perspective, we are commenting on the response from the Governor's Office of Emergency Services (Emergency Services). The numbers below correspond to the numbers we have placed in the margin of Emergency Services' response.

● We disagree with Emergency Services' assertion. We obtained sufficient, competent, and relevant evidence to conclude that preparedness is in fact hampered by California's grant administration. We mention on page 13 of our report that preparedness consists of five elements: planning, organization, equipment, training, and exercises. In our audit report we identified weaknesses concerning each of the five elements: planning (pages 35 through 39), organization (pages 43 through 49), equipment (pages 32 through 33), training (pages 47 through 49), and exercises (pages 20 through 26). Further, we make applicable recommendations related to the elements on pages 49 and 50. Therefore, considering the aforementioned weaknesses, the fact that federal homeland security grant funds support these elements, and that Emergency Services along with other state entities administer these federal grant funds, it is entirely reasonable to conclude that preparedness is hampered by weaknesses in the State's administration of these grants.

● In this paragraph and at other points in its response to our draft audit report, Emergency Services mentions concerns with our report. However, at no point before our receipt of its response did Emergency Services ever mention to us any such concerns. This is troubling given the steps that we took to share the results of our analyses and the nature of our conclusions well in advance of the issuance of our audit report. Specifically, Emergency Services mentioned none of its concerns when we discussed our draft recommendations and text with the chief of its Grants Management Branch on July 26, 2006. Neither did Emergency Services mention these concerns when we discussed our draft findings and the text of our draft audit report at our formal exit conference held with several Emergency Services'

officials on August 10, 2006. This conference was attended by the deputy director of the Response and Recovery Division, the deputy director of the Preparedness and Training Division, the chief of the Administration Division, and the chief of the Grants Management Branch.

- We mention on page 14 of our report that exercises are one of the five elements of preparedness. Because Emergency Services along with other state entities administer federal grant funds that support such exercises, and as discussed on page 20, we identified shortcomings with these exercises, it is entirely reasonable to conclude that exercises are hampered by weaknesses in the State's administration of these grants.

- Emergency Services is incorrect when it claims that its "processing of the payments only constitutes approximately one week." As we mention on page 30 of our audit report, we examined a sample of reimbursement payments made at two points in 2006. For the first sample—payments made in April and early May—Emergency Services' part of the process took an average of 19 days—from the date it received the reimbursement request to the date it signed the claim schedule authorizing the payment. For the second sample—payments made in late May and early June—it took Emergency Services an average of 17 days.

- Emergency Services' comment that "plans are not the key to success during disaster" may lead some readers to erroneously conclude that up-to-date emergency plans are not important. In its bulletin concerning Hurricane Katrina's impact on the National Preparedness Goal and Target Capabilities List, the U.S. Department of Homeland Security (Federal Homeland Security) emphasized the importance of emergency operations planning. Specifically, it stated that Hurricane Katrina underscored the importance of all-hazards emergency operations planning. As a result, Federal Homeland Security established a new national priority to strengthen emergency operations planning. Further, Federal Homeland Security stated that the addition of this new priority highlighted the importance of specific capabilities pertaining to planning, mass care, and citizen protection from the Target Capabilities List, a companion document to the National Preparedness Goal.

Additionally, as we discuss on page 7, Federal Homeland Security concluded in a recent report that most of the nation's current emergency operations plans and planning processes cannot be characterized as fully adequate, feasible, or acceptable to manage catastrophic events. Although Emergency Services states that it does not "discount the relevancy of plans and procedures to document the tactical actions of local and state agencies," it apparently underestimates the importance that the federal government places on emergency plans.

- Emergency Services apparently fails to recognize the linkage between a goal and the tracking system used to help ensure achievement of that goal. As we point out on page 35, its own policies state that Emergency Services ensures the coordination of local and state emergency plans in accordance with state law, which stipulates that the State of California Emergency Plan (state emergency plan) be effective in each subdivision of the State. We also mention that these policies request that local governments update their emergency operations plans every three years and submit them to Emergency Services for review for completeness and consistency with state guidelines. As we indicate on page 37, we believe a three-year cycle provides a good frame of reference for reviewing the emergency plans of local government entities, thereby ensuring that they are integrated into and coordinated with the state emergency plan.

- Emergency Services' comment that the emergency preparedness structure of the State is defined in the state emergency plan is misleading. Although several sections mention preparedness, the state emergency plan does not directly identify the preparedness structure. According to Emergency Services' general counsel, "a basic emergency planning tenet is that you prepare how you respond; therefore, the [state emergency plan] has several pages that describe the emergency response responsibilities of state departments." The state emergency plan provides a chart of California's Emergency Organization, names preparedness as one of the four phases of emergency management, describes five general preparedness responsibilities for local jurisdictions, identifies seven general preparedness tasks for state agencies, and notes that each "agency [in the California Emergency Organization] is responsible for . . . preparedness activities necessary for its organization to carry out assigned tasks." However, the state emergency plan does not identify the actual structure of the preparedness phase.

As we mention on page 44 of our report, according to a deputy director at State Homeland Security, an organization chart that shows California's administrative structure for homeland security and bioterrorism preparedness has not been created. Therefore, we created the chart shown on Figure 4 on page 45 using information from various Web pages and documents obtained from key agencies, including Emergency Services. We also state that the three state agencies with which we shared a draft of this organization chart, one of which was Emergency Services, raised no concerns about its accuracy. Therefore, we stand by our recommendation on page 50 that states in pertinent part, to clarify the structure for preparing for emergency responses, the Legislature should consider statutorily defining the preparedness structure in law.

- Contrary to Emergency Services' assertion, we do not mention in our audit report that the governor and Legislature are working together to create a more viable California Emergency Council. Rather, we state on page 44 that the California Emergency Council appears to exist on paper only; that it was established in California law to advise the governor during times of emergency and on matters pertaining to emergency preparedness; and that according to a deputy director at Emergency Services, it has not met since 2002.

Agency's comments provided as text only.

Office of Homeland Security
Office of the Governor
Sacramento, California 95814

August 30, 2006

Elaine M. Howle*
State Auditor
555 Capitol Mall, Suite 300
Sacramento, CA 95814

Dear Ms. Howle:

The Office of Homeland Security (OHS) would like to thank the Bureau of State Audits (BSA) for the opportunity to comment on your *Emergency Preparedness* report to the Joint Legislative Audit Committee.

This is a particularly timely review given that at this time last year the Governor and the Legislature provided us with additional resources and capabilities in their FY 05-06 budget to better address the homeland security and emergency preparedness issues facing California. It has been a busy year of growth, enhancement and improvement. As recognized in this report, we have resolved issues from past audits and reports, but as with any organization, we must constantly strive to do even better. We acknowledge and greatly appreciate the leadership, support and commitment of the Governor and the Legislature to the important work of the Office of Homeland Security.

As to the specific recommendations in this report concerning exercises and grant administration, we generally concur and welcome the opportunity to expand on our progress related to these recommendations. As to the overall administrative structure of the public safety functions of State government, we are committed to continuing our discussions with the Legislature and our first responder partners on how best to enhance, without significantly diminishing, California's homeland security and emergency preparedness capabilities through possible organizational change. Our comments on the exercise and grant recommendations follow.

The first recommendation of the report provides that ". . . state entities, including State Homeland Security and Emergency Services, should ensure that future exercises sufficiently test the response capabilities of California's medical and health systems." OHS agrees with this recommendation, however, we should note that there are many different types of exercises including, but not limited to: planning exercises, tabletop exercises, functional exercises and full-scale exercises that can be used to test the medical response capabilities of the private sector and state and local governments. Indeed, particularly in the context of avian flu preparedness, significant review, planning and exercising has already taken place concerning such a large-scale health event. This year, the Governor and the Legislature have also invested more than a quarter of a billion dollars to enhance California's medical and health response capabilities based on this previous work and the identified needs.

* California State Auditor's comments begin on page 93.

As you know, in 2004 the Governor established the first-ever annual statewide full-scale exercise program called Golden Guardian. This annual exercise program involves all of the emergency response disciplines, citizen volunteers and multiple jurisdictions. Each year since, the Golden Guardian exercise has significantly grown in terms of participants (individuals and organizations), complexity and comprehensiveness. The 2006 Golden Guardian exercise program includes: a series of 14 to 22 exercises, 18 to 30 planning conferences and 4 to 8 evaluation conferences that span the 18 month planning and exercise cycle for each annual full-scale exercise.

It is also important to recognize that it was beyond the scope of this audit to also review the many comprehensive and robust exercises that are held in California each year at the federal, state, regional and local levels separate from the Golden Guardian program. Real-life emergencies and responses also effectively serve as "exercises" and mechanisms for improving capabilities and sharing lessons learned.

Participation in Golden Guardian is voluntary and through the exercise planning conferences, participating organizations choose what processes, procedures and capabilities they want reviewed, tested and exercised. Based on this report's recommendation, in the future OHS, OES, DHS and EMSA will work closely with our first responder partners to enhance the testing and exercising of the state, regional, local and private sector response capabilities related to our medical and health systems.

The report's second recommendation provides that "State Homeland Security should create a forum for local administrators to share both best practices and concerns with State Administrators." OHS agrees that close collaboration is required with our local partners, who have been allocated more than 80% of the Federal homeland security grant funds. We will continue the extensive outreach to our local partners by continuing our current working group and workshop efforts and provide additional opportunities for sharing best practices and concerns.

In the past year and one half, OHS has sponsored and held more than 60 grant workshops and training sessions across the State related to the homeland security grants. In addition, since just January of this year, OHS held its first annual statewide homeland security conferences (one each for Northern and Southern California), a statewide capability review conference, a statewide infrastructure protection conference along with multiple regional meetings for implementing the Automated Critical Asset Management System (ACAMS), a statewide maritime and transportation conference, seven regional law enforcement meetings and a series of one-on-one meetings with many jurisdictions across the State to address grant related issues, among many other outreach efforts.

In October of 2005, OHS also specifically established a working group of local sub-grantees to assist OHS in streamlining the overall grant process and developing more efficient and easier to use forms and processes. This working group created a new financial management system with improved forms and a grant processing workbook that eliminated redundant data entry, better tracked investments and sped up the reporting and reimbursement process. We will continue, as recommended, to use this working group process to find more ways we can more effectively and efficiently serve our partners and customers.

OHS, like our local partners noted in your report, has been extraordinarily frustrated with the ever-changing and myriad, complex requirements imposed by the Federal government across the multitude of separate homeland security grant programs. Given the complexity and annual changes, the federally imposed deadlines have worked to thwart, rather than enhance, comprehensive

planning and strategic investments. Moreover, the delays by the U.S. Department of Homeland Security in making simple (compared to the governance, planning, contracting and procurement processes facing state and local governments) allocation decisions, have impeded timely investments. For example, this year the U.S. Department of Homeland Security did not even make the grant applications available for several of its grant programs until nearly ten months after the appropriations were passed by Congress and signed into law by the President. Exacerbating the problem, the Federal government then imposed a less-then-four-week timeline for submitting these grant applications with comprehensive plans. OHS, of course, must pass along these difficult and frustrating time constraints to our local partners. This year, we offered technical and administrative assistance to our local partners in meeting these stringent deadlines. In the end, the U.S. Department of Homeland Security will take almost a full year just to make funding allocation decisions for these grants.

To help rectify these issues, OHS has been working closely with state agencies, local governments and first responders to better develop multi-year planning and prioritization mechanisms as part of the overall grant process. Institutionalizing the new capability review process, enhancement plans and investment justifications, should assist us in overcoming the tight deadlines imposed by the Federal government in the future. Our office has also consistently and quickly provided timely notification of allocated grant funding to our sub-grantees so as not to delay in any way their planning and investment strategies. The official award notification letters further documenting and legally obligating the previously allocated funds, as noted in the report, have at times been delayed by miscommunications and the changed policies of the U.S. Department of Homeland Security. These issues were resolved with the Department this fiscal year.

The report's third recommendation provides that "to reduce the amount of time necessary to reimburse local entities for their homeland security expenditures, State Homeland Security and Emergency Services should collaborate to identify steps they can take" to improve the timeliness of reimbursements. Recognizing this concern, OHS and OES began collaborating last year to find ways to improve and speed up the reimbursement process. We also worked, as noted above, with our local partners to identify solutions. This collaborative effort has reduced the backlog of reimbursement requests and shortened the previous reimbursement processing time by months. In fact, just this year, as noted in the report, we have achieved an additional 30% reduction in the state's processing time from an average of 73 days to 50 days.

In addition to the activities described above that directly relate to the recommendations made in the report, this past year OHS has also accomplished the following:

- Further developed and expanded the State Terrorism Threat Assessment Center (STTAC—state information sharing and fusion center) and opened and dedicated the first of four Regional Terrorism Threat Assessment Centers (RTTACs) in Los Angeles. This regional fusion center is the first of its kind in the United States. Construction and build-out is being completed at the three other RTTACs in Sacramento, San Francisco, and San Diego.
- As a pilot program, California received the first permanent deployment of a US-DHS intelligence analyst to the state or local level. The pilot has been so successful; US-DHS will be expanding this program to all our RTTACs and to other states later this year. California OHS is also deploying its own analysts to serve directly in the US-DHS Intelligence Directorate in Washington, DC.

- Created a secure, one-stop-shop web-portal, CALJRIES, for law enforcement information sharing, bringing together in a single place reporting from various information sharing partners such as DHS, FBI and other federal agencies.
- Selected by the federal government to pilot a system to provide direct access to, and the exchange of, classified information and threat assessments over an encrypted internet-based system similar to the Department of Defense's SIPERNET system.
- Continued the expansion of the Terrorism Liaison Officer (TLO) program and have trained and certified over 900 law enforcement and first responder professionals as part of a five day course that teaches terrorism awareness, investigation, information-sharing and reporting and WMD recognition and response.
- Expanded the Terrorism Liaison Officer Program to include state agency representatives
- Initiated a private security guard terrorism awareness training program and ensured this program is linked to the Terrorism Liaison Officer program. Last year, the annual training requirements for licensed security professionals were changed to require four hours of terrorism awareness training. This program has resulted in more than 200,000 security professionals trained in recognizing potential terrorist activities and how to report suspicious incidents.
- Opened and dedicated the first U.S. Department of Homeland Security funded and sponsored Protective Security Center (PSC) for infrastructure protection in the Nation. This pilot program could result in the construction of an East Coast Protective Security Center similar to what has already been built and developed here in California.
- Piloted for the U.S. Department of Homeland Security the creation and deployment of the new Automated Critical Asset Management System (ACAMS) and managed the statewide analysis of critical infrastructure/key resource (CI/KR) information with law enforcement and other first responder personnel.
- Initiated the Protected Critical Infrastructure Information (PCII) pilot program on behalf of the U.S. Department of Homeland Security and became one the first states to train state and local first responders under this program.
- Coordinated and integrated the direct deployment by the U.S. Department of Homeland Security of six Protective Security Advisors (PSAs) to California to assist in federal, state and local infrastructure protection activities.
- Became the first state in the nation to receive a science and technology liaison employed by U.S. Department of Homeland Security and assigned to work directly in our office on technology and planning issues and to assist in coordination with the federal research labs such as Lawrence Livermore and Sandia.
- Supported the training of nearly 500,000 California Emergency Responders with over 700 courses being taught by our training partners and funded with homeland security grants since 2003.
- Conducted the Golden Guardian 2004 and 2005 full-scales exercises and we are well along in the process for Golden Guardian 2006 with the full-scale exercise aspect of this program scheduled to be conducted in late November.

- Initiated and implemented the large stadium planning and exercise program for the State's largest stadiums and public gathering places.
- Expanded our training partners program to include other course developers and presenters of terrorism training such as: the California Maritime Academy; the Western Institute for Food Safety and Security (WIFSS); the University of California (UC) system; the California State University (CSU) system; the California Community College system; and the California Department of Health Services.
- Facilitated the development, certification and institutionalization of over 110 courses from California's training organizations and partners, which resulted in U.S. Department of Homeland Security's approval to use federal grant funds to support these training programs and participation by first responders, citizen volunteers and private sectors partners. California's approved and certified courses represent more than a third of the total courses that have received approval and certification by the U.S. Department of Homeland Security nationwide.
- OHS and OES have worked collaboratively to reinvigorate both the California Statewide Interoperability Executive Committee (CALSIEC) and the Public Safety Radio Strategic Planning Committee (PSRSPC) to more effectively address California's interoperability needs. OES and OHS are currently conducting regional CALSIEC meetings across California this month.
- OHS and OES have worked with local jurisdictions and the U.S. Department of Homeland Security to create Tactical Interoperability Communications Plans (TICPs) in all ten of the state's largest urban areas. As part of our homeland security strategy, we are working to expand these tactical interoperability plans to each of the state's 58 operating areas to ensure tactical interoperability in the event of a major incident or emergency.
- In addition to the traditional Federal DHS grant programs, OHS and OES have also worked with local governments and first responders to ensure that the maximum amount of grant funding is received for interoperable communications from other federal funding sources such as the Department of Justice's COPS program, the FEMA Assistance to Firefighters Grant Program (AFGP) and the US-DHS Commercial Equipment Direct Assistance Program (CEDAP).
- Developed audit and monitoring documents and streamlined the review processes.
- Initiated on-site monitoring of sub-grantee investments.
- Supported the expansion of citizen preparedness activities as part of the First Lady's efforts to recruit and train volunteers and better educate the general public on the need to prepare for emergencies.

Everyday, the California Office of Homeland Security and its partners, strive to make our State a safer and better place to live, work and thrive. The California Office of Homeland Security is very fortunate to have a dedicated and hardworking staff of homeland security professionals who are fully committed to our important mission. With their hard work and enthusiasm, we are confident that we will continue to improve and that we have already progressed significantly in enhancing our procedures as recommended in this report.

Finally, we wish to commend your Office for the professional manner in which this audit was conducted. Your auditors consistently tested us with rigor, but always maintained a professional demeanor. We appreciate the thoroughness of the review and the privilege to better serve the people of California.

Sincerely,

(Signed by: Matthew R. Bettenhausen)

Matthew R. Bettenhausen

COMMENTS

California State Auditor's Comments on the Response From the Governor's Office of Homeland Security

To provide clarity and perspective, we are commenting on the response from the Governor's Office of Homeland Security (State Homeland Security). The numbers below correspond to the numbers we have placed in the margin of State Homeland Security's response.

1. We acknowledge that different types of exercises exist on page 22 of our report. We focused on statewide, full-scale types of exercises. As page 22 states, full-scale exercises closely mirror an actual event.

2. This statement by State Homeland Security is somewhat misleading. To clarify, the only exercises that we considered beyond the scope of our audit were those held by the federal government. To identify the specific exercises or types of exercises that we would analyze in more detail as part of our audit, we reviewed the calendar of exercises conducted in California during 2005 and 2006, obtained from a federal database by State Homeland Security, and the master exercise schedule maintained by the Governor's Office of Emergency Services. After considering the nature of the exercises listed on those documents, we decided to focus our efforts on the two that were statewide and had elements of a full-scale exercise—namely, the Golden Guardian exercises and the Statewide Medical and Health Disaster exercises. We concluded, given the scope and breadth of these two types of exercises, that they would be the most likely to rigorously test the medical and health mutual aid systems.

3. Although we appreciate the benefits that State Homeland Security hopes to achieve through its outreach efforts (e.g., holding workshops and training sessions with grant subrecipients), we believe that results related to subrecipient concerns that are acceptable to both State Homeland Security and the subrecipients can be better achieved by giving subrecipients an established voice in the decision-making process. State Homeland Security must also think that this

approach has merit because, as we point out on page 34, it is considering establishing a grant management policy advisory panel that would consist of local and state representatives. This advisory panel would meet to discuss and comment on proposed grant management policy decisions. We also state on page 34 of our report that State Homeland Security has in the past convened a working group composed of local and state representatives to resolve local concerns about poor reimbursement forms. State Homeland Security alludes to this working group later on page 2 of its response.

cc: Members of the Legislature
Office of the Lieutenant Governor
Milton Marks Commission on California State Government Organization and Economy
Department of Finance
Attorney General
State Controller
State Treasurer
Legislative Analyst
Senate Office of Research
California Research Bureau
Capitol Press